

**CITY OF WEBSTER CITY**

Hamilton County, Iowa

**FINANCIAL STATEMENTS**

June 30, 2005

# CITY OF WEBSTER CITY

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Webster City  
Webster City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Webster City, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Webster City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Webster City, Iowa, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2005 on our consideration of the City of Webster City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the City Council  
City of Webster City

As described in Note IV.D., the City of Webster City changed its method of depreciation from the composite basis to the individual asset basis as of July 1, 2004.

The management's discussion and analysis and budget comparison information on pages iii through xv and 56 through 61 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Webster City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The combining financial statements and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Virchow, Krause & Company, LLP*

Madison, Wisconsin  
September 15, 2005

**CITY OF WEBSTER CITY**  
Management Discussion and Analysis  
For the year ending June 30, 2005

As management of the City of Webster City, we offer readers of the City of Webster City's financial statements this narrative overview and analysis of the financial activities of the City of Webster City for the fiscal year ending June 30, 2005. This section should be read in conjunction with the financial statements and the accompanying notes that follow. It should also be noted that the information contained here will provide information on both the governmental operations and the business type activities of the City.

**Financial Highlights**

- Street rehabilitation and asphalt resurfacing was completed on Fairmeadow Drive east and west of Superior Street and Bank Street from Beach Street to Lynx Avenue.
- Infrastructure repairs on water hydrants/valves and sanitary sewer lines were repaired in six to seven areas in the City.
- Electrical infrastructure was rebuilt, maintained, and repaired by city line workers.
- Sanitary sewer infrastructure was dedicated to the City by two local developers.
- Rate studies were started or completed for all three utilities. Water and sewer rates were revised as of the April billings and electric rates were under discussion at the end of the fiscal year.
- Reserves were used on two loans given to businesses in the community for economic development projects.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Webster City's basic financial statements. The City of Webster City's basic financial statements comprises of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City of Webster City's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the City of Webster City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the City of Webster City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving the rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Webster City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Webster City include public safety, public works, health and social services, culture and recreation, community and economic development and general government. The business-type activities of the City of Webster City include the operation of the electric, water, and sewer utilities.

The government-wide financial statements include not only the City of Webster City itself (known as the primary government), but also a legally separate airport for which the City of Webster City is financially accountable and a trust known as the Fred Fuller Trust that was created for the sole benefit of the City. Financial information for these component units are reported separately from the financial information presented for the primary government itself. The Electric, Water, and Sewer utilities function as departments of the City of Webster City, and therefore have been included as an integral part of the primary government.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Webster City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds for the City of Webster City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds:* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Webster City maintains 41 individual governmental funds. Information presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, child care center, economic development loan, and second street reconstruction fund, of which all are considered to be major funds. Data from the other 37 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Webster City adopts an annual budget for its governmental funds. A budgetary comparison schedule has been provided for the governmental funds to demonstrate compliance with this budget.

*Proprietary Funds:* The City of Webster City maintains different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Webster City uses enterprise funds to account for its Electric, Water, and Sewer utilities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Webster City's various functions. The City of Webster City uses internal service funds to account for capital equipment purchases and for self-insured dental/vision insurance. The internal service funds will be found in both governmental activities and business-type activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water and sewer utilities, all of which are considered major funds of the City of Webster City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary Funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Webster City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

***Notes to the financial statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Other Information.*** This report also presents certain required supplementary information concerning the City of Webster City's progress in funding its obligation to provide pension benefits to its employees. This information can be found under Note V<sup>i</sup>.



## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Webster City, assets exceeded liabilities by \$46,486,195 at the close of the most recent year.<sup>ii</sup>

The largest portion of the City of Webster City's net assets (77.49%) reflects its investment in capital assets (e.g. Land, Construction in progress, Land improvements, Structures and Improvements, Machinery and equipment, and Infrastructure) less any related debt used to acquire those assets that is still outstanding. The City of Webster City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Webster City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

<b>City of Webster City's Net Assets</b>								
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Component Units</b>	
	<b>6/30/2005</b>	<b>6/30/2004</b>	<b>6/30/2005</b>	<b>6/30/2004</b>	<b>6/30/2005</b>	<b>6/30/2004</b>	<b>6/30/2005</b>	<b>6/30/2004</b>
Current and other assets	4,992,361	5,066,010	11,508,619	11,677,020	16,500,980	16,743,030	2,270,822	2,271,698
Capital Assets, net depreciation	24,396,228	25,832,317	22,869,655	23,930,683	47,265,883	49,763,000	37,380	38,220
Total Assets	29,388,589	30,898,327	34,378,274	35,607,703	63,766,863	66,506,030	2,308,202	2,309,918
Current and other liabilities	3,099,119	3,797,171	1,297,105	1,309,918	4,396,224	5,107,089	6,855	4,208
Non-current Liabilities	6,882,425	7,467,055	6,002,019	6,453,424	12,884,444	13,920,479	-	-
Total Liabilities	9,981,544	11,264,226	7,299,124	7,763,342	17,280,668	19,027,568	6,855	4,208
Net Assets:								
Invested in capital assets, net of related debt	18,565,552	18,795,400	17,455,057	17,730,401	36,020,609	36,525,801	-	-
Restricted	2,394,020	2,748,466	310,130	1,395,591	2,704,150	4,144,057	2,307,807	2,305,710
Unrestricted	(1,552,527)	(1,909,765)	9,313,963	8,718,369	7,761,436	6,808,604	(6,460)	-
Total net assets	19,407,045	19,634,101	27,079,150	27,844,361	46,486,195	47,478,462	2,301,347	2,305,710

An additional portion of the City of Webster City's net assets (5.82%) represents resources that are subject to external restrictions on how they may be used. The remaining balances of unrestricted net assets (\$7,761,436) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Webster City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate business-type activities. The governmental activities unrestricted net assets were a deficit in this fiscal year. The same situation held true for the prior fiscal year.

There was a decrease of \$1,085,461 in restricted net assets reported in connection with the City of Webster City's business-type activities. This decrease is the result of the re-evaluation of restrictions on assets associated with the utilities.

The government's net assets decreased by \$992,267 during the fiscal year. Net assets in the governmental activities decreased by \$227,056. The key element in the governmental activity decrease is the depreciation of capital assets.

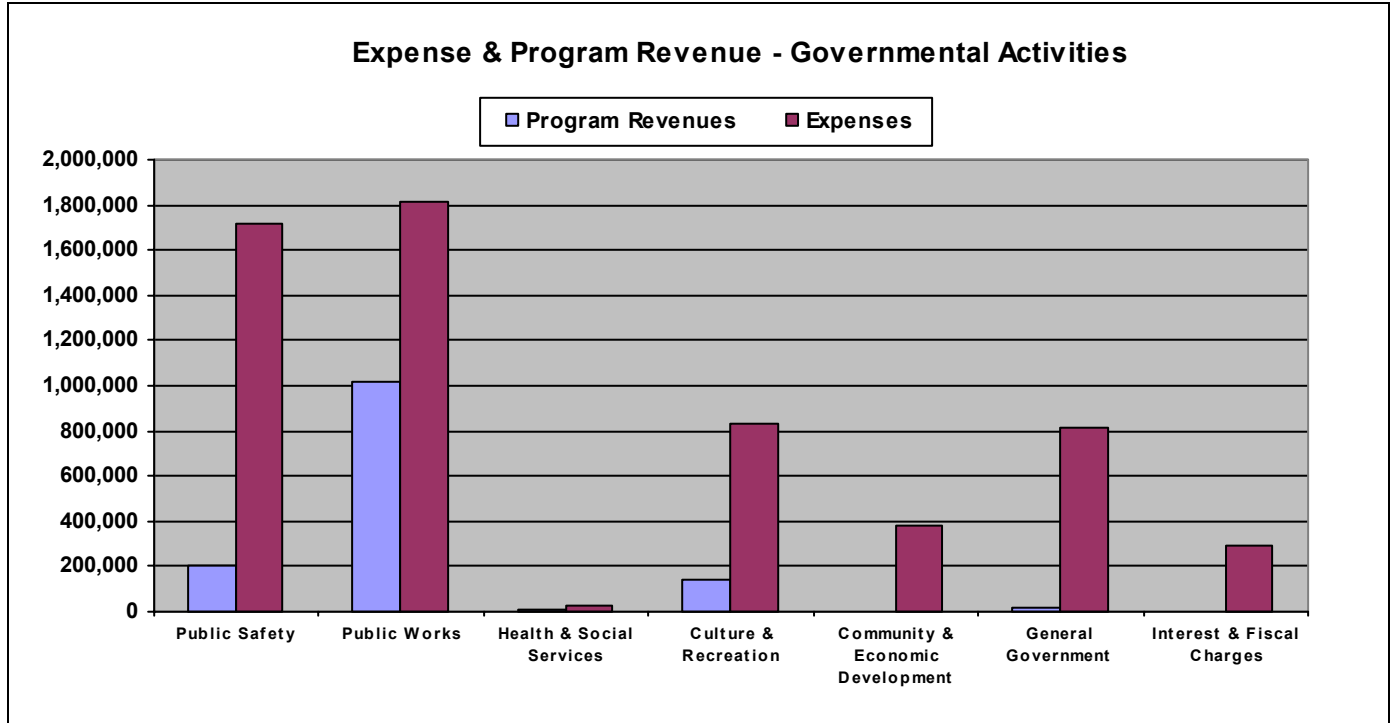
**Governmental Activities.** Governmental activities decreased the City of Webster City's net assets by \$227,056, thereby accounting for 46.32% of the total reduction in the net assets of the City of Webster City.<sup>iii</sup> Key elements of this decrease were as follows:

**City of Webster City's Change in Net Assets**

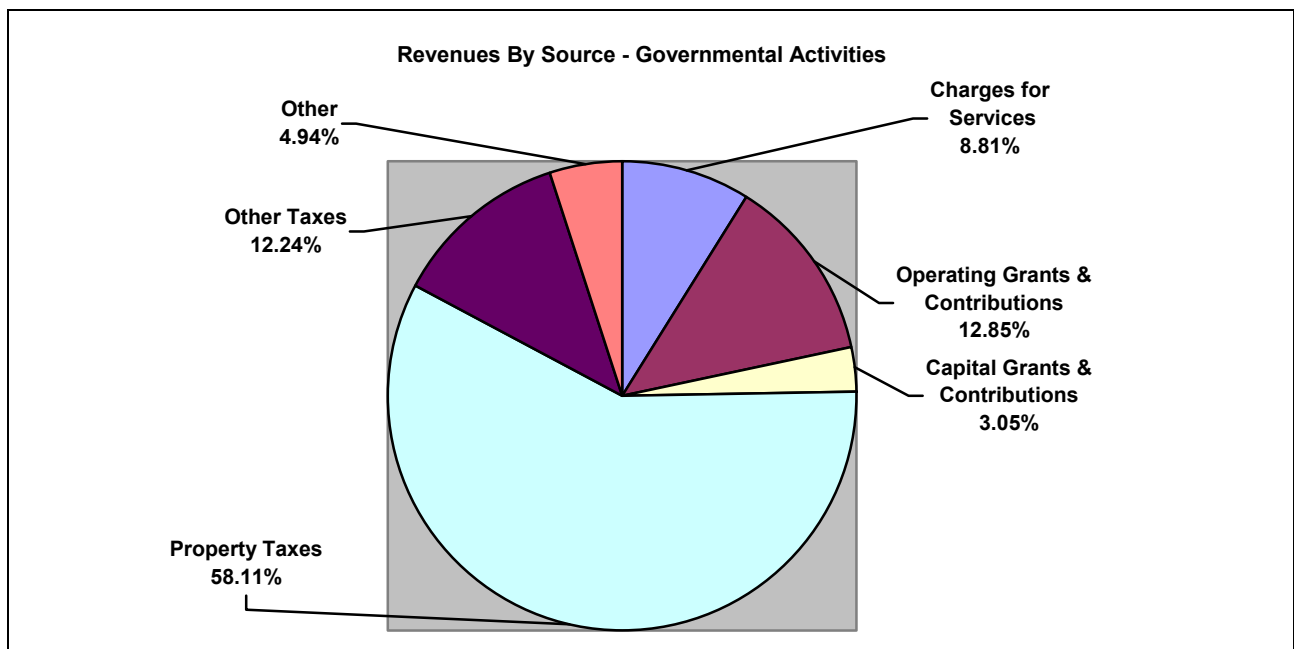
	Governmental Activities		Business-type Activities		Total	
	6/30/2005	6/30/2004	6/30/2005	6/30/2004	6/30/2005	6/30/2004
Revenues:						
Program revenues:						
Charges for Service	498,294	536,119	12,118,891	11,636,096	12,617,185	12,172,215
Operating Grants & Contributions	726,597	1,156,688	-	-	726,597	1,156,688
Capital Grants & Contributions	172,216	655,322	33,470	119,260	205,686	774,582
General Revenues						
Property Taxes	3,285,578	3,317,734	-	-	3,285,578	3,317,734
Other Taxes	691,959	617,128	-	-	691,959	617,128
Other	(160,291)	953,723	689,212	551,738	528,921	1,505,461
Total Revenues	5,214,353	7,236,714	12,841,573	12,307,094	18,055,926	19,543,808
Expenses:						
Public Safety	1,718,293	1,487,844	-	-	1,718,293	1,487,844
Public Works	1,815,990	2,352,496	-	-	1,815,990	2,352,496
Health & Social Services	28,527	236,814	-	-	28,527	236,814
Culture & Recreation	829,614	979,023	-	-	829,614	979,023
Community & Economic Development	382,417	273,592	-	-	382,417	273,592
General Government	810,693	714,213	-	-	810,693	714,213
Interest & Fiscal Charges	295,749	365,525	-	-	295,749	365,525
Water Utility	-	-	1,105,202	1,054,120	1,105,202	1,054,120
Sewer Utility	-	-	1,194,901	969,529	1,194,901	969,529
Electric Utility	-	-	10,364,757	10,221,583	10,364,757	10,221,583
Total Expenses	5,881,283	6,409,507	12,664,860	12,245,232	18,546,143	18,654,739
Increase in net assets before transfers	(666,930)	827,207	176,713	61,862	(490,217)	889,069
Transfers	439,874	255,560	(439,874)	(255,560)	-	-
Increase in net assets	(227,056)	1,082,767	(263,161)	(193,698)	(490,217)	889,069
Net Assets - Beginning (as restated)	19,634,101	18,551,334	27,342,311	28,038,059	46,976,412	46,589,393
Net Assets Ending	19,407,045	19,634,101	27,079,150	27,844,361	46,486,195	47,478,462

- Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements. Some examples of these items are as follows:
  - Asphalt resurfacing on Bank Street
  - Rehabilitation of Fairmeadow Drive

<sup>iii</sup> Pages 2-3



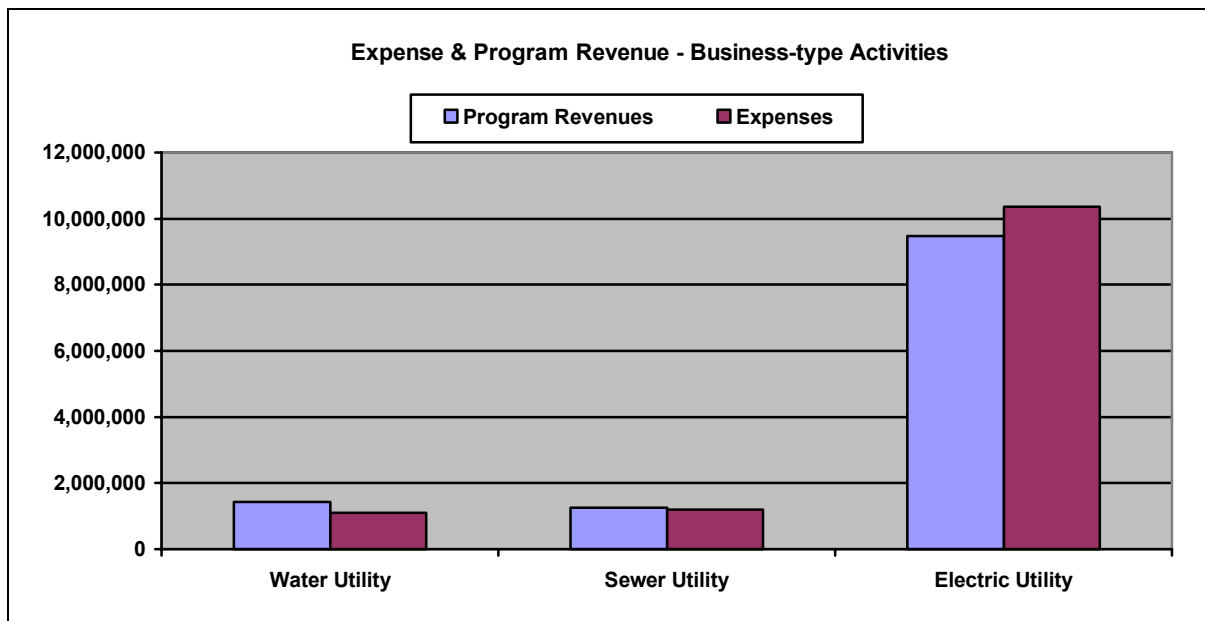
The above shows that most of the governmental activities are supported by revenues other than the program revenues (charges for service, operating grants and contributions, and capital grants and contributions). The only exception to this is for Public Works. Public Works is mostly supported by Road Use Tax Revenues received from the State. This year the Road Use Tax Receipts totaled \$680,498. The remainder of a grant for the Southeast Development Park project was received this year in the amount of \$9,877.



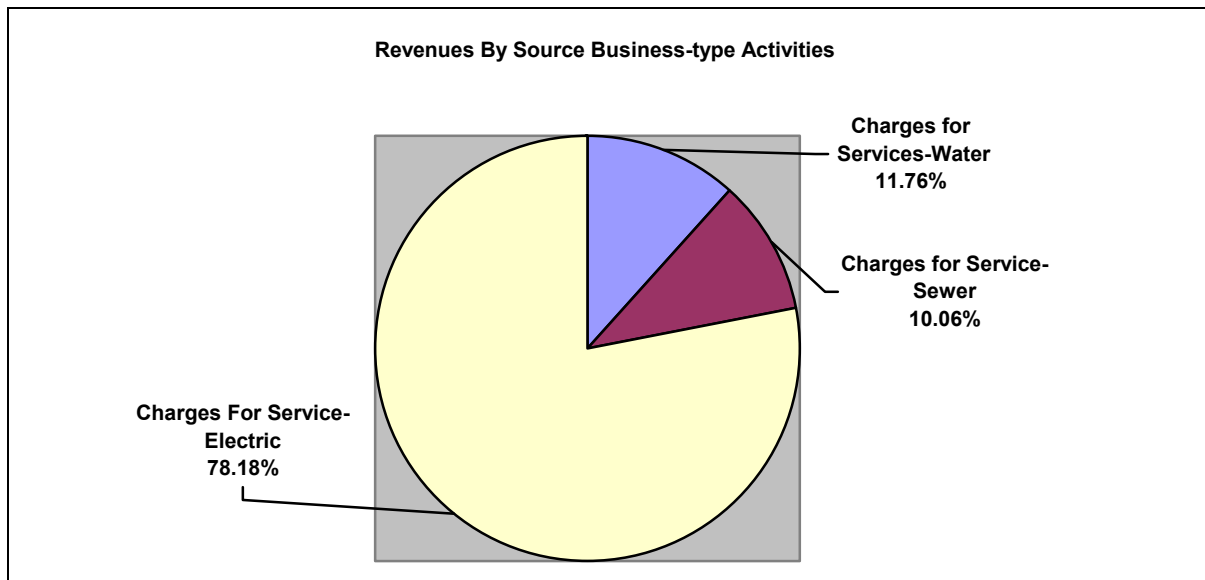
The main sources of revenue for the governmental activities are from property taxes and grants and contributions. The City of Webster City received \$3,285,578 in property tax receipts and \$898,813 in capital and operating grants and contributions.

**Business-type Activities.** The net assets of the business-type activities of the City of Webster City decreased by \$263,161. Key elements of this decrease are as follows:

- While electrical infrastructure was rebuilt and repaired with reserves with no debt issued, there were no major additions added to any of the three utilities. Thus making this year's accumulated depreciation higher than the minor additions.
- Cost of electric purchase power has increased, while rates were reviewed, no increase was implemented during the fiscal year.
- Electric reserves were used in part of two loans given to businesses in the community for economic development projects.



The goal of the City of Webster City is to have the revenues exceed the expenses in the Business-type activities. We reached that goal with the water and sewer utilities and was short with the electric utility. The reason that the electric utility spent more than was received is because there was an increase in purchase power costs and no approved rate increase at the end of the fiscal year to offset the increase. A rate study was completed; however, the increase in rates was not in effect at the end of the fiscal year.



The electric utility is the main function of the City of Webster City Business-type Activities making up 78.19% of the total receipts. Usage rates were changed for the last quarter of the year for the water and sewer utilities. Since the old rates were in effect for the majority of the year and most sewer utility usage is based on a per unit water usage, with the exception of industrial sewer, the revenues for these two functions should remain close.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City of Webster City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

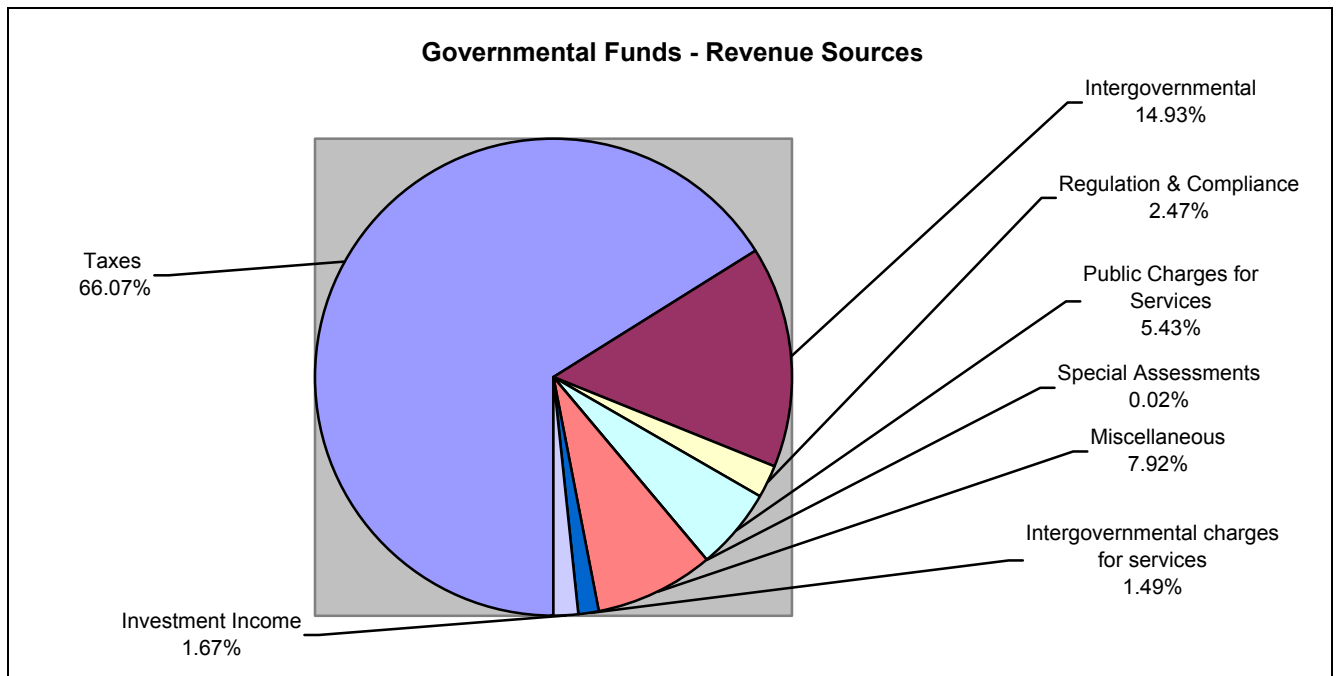
*Governmental Funds.* The focus of the City of Webster City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Webster City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Webster City's governmental funds reported combined ending fund balances of (\$327,621); with the prior year being \$248,121, the decrease for this year was \$575,742.<sup>iv</sup> The total amount of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to 1) pay debt service, 2) trust related activities including perpetual care of the municipal cemetery, 3) liquidate contracts and purchase orders of the prior period, or 4) a variety of other restricted purposes.

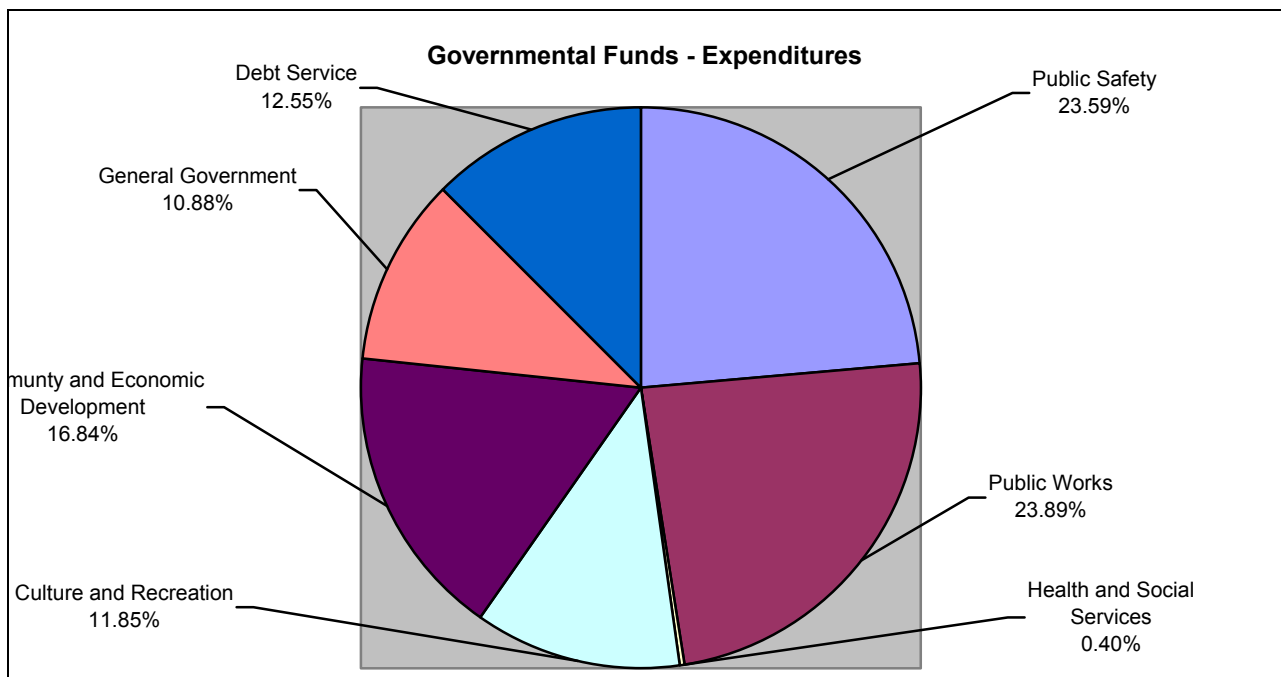
Revenues from the City's governmental funds totaled \$6,020,509 with taxes accounting for \$3,977,535 of that amount.<sup>v</sup> Intergovernmental activities, including state and federal grants, represented another \$898,601 of the total governmental revenues. The following graph represents the makeup of the City's governmental revenues.

<sup>iv</sup> Page 4

<sup>v</sup> Page 5



Total expenditures for the governmental funds were \$7,194,400.<sup>vi</sup> The five main activities that make up these expenditures are public works (\$1,718,574), public safety (\$1,697,387), culture and recreation (\$852,562), community and economic development (\$1,211,606), and debt service (\$903,022). General Government (\$782,716) is large this year due to the amount of local option sales tax paid to the county for the jail project. The following graph is a breakout of the governmental expenditures for the City.



The general fund is the chief operating fund of the City of Webster City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,239,790, while the total fund balance reached \$1,244,140.<sup>vii</sup> As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to the total fund expenditures. Unreserved fund balance represents 37.40% of the total general fund expenditures, while the total fund balance represents 37.54% of that same number.<sup>viii</sup>

The fund balance of the City of Webster City's general fund decreased by \$124 during the current fiscal year.

The Child Care Center fund had a fund balance of (\$699,629). The net decrease in the fund balance during the current fiscal year was \$734,633 which was mostly due to the interfund loan for the sale of the day care building.

The Economic Development Loan fund had a fund balance of \$229,469. The net decrease in the fund was \$768,144 which was mostly due to the loans given to businesses in the community for the purchase or expansion of their facilities.

With the Second Street Reconstruction fund continuing to have a deficit fund balance at the end of the fiscal year of \$1,886,849, the increase in the fund was \$179,425, which lowered the amount of deficit from (\$2,066,274) to (\$1,886,849). This deficit is due to the advance from the electric utility for the reconstruction of Second Street. Future tax increment receipts will pay the advance.

*Proprietary Funds.* The City of Webster City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the electric utility amounted to \$15,890,771, the water utility amounted to \$6,605,641, and the sewer utility amounted to \$4,073,692.<sup>ix</sup> The total change in net assets for all three funds was (\$634,215), \$274,027, and \$69,963 respectively.<sup>x</sup> Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Webster City's business-type activities.

### **Governmental and Proprietary Funds Budgetary Highlights**

The differences between the original budgeted expenditures and the final amended budgeted expenditures increased by \$2,731,033 and can be briefly summarized as follows:<sup>xi</sup>

- Due to the timing of when the cost of purchase power was estimated the original budget amount was a lot lower than what was expected at amendment time.
- Local option sales tax is based on sales and has to be estimated every year. Therefore at amendment time, the amount received and passed on to the county was amended closer to actual amounts being received.

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<sup>vii</sup> Page 4

<sup>viii</sup> Page 5

<sup>ix</sup> Page 7

<sup>x</sup> Page 8

<sup>xi</sup> Page 55

- Economic Development due to the recording of loans given to businesses for economic development projects.

The difference between actual figures and the amended budget figures was \$55,181 and can be briefly summarized as follows:

- Local Option Property Tax receipts are estimated and since they are based on sales, there were more receipts than expected. This leads to both receipts and disbursements to be different than budgeted since all receipts go to the jail project at the county.
- Water and sewer rates were adjusted with three months of the fiscal year remaining, which lead to higher charges for services than expected.

### **Capital Asset and Debt Administration**

**Capital Assets.** The City of Webster City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$47,265,883 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, and infrastructure. The total decrease in the City of Webster City's investment in capital assets for the current fiscal year was 5.02%. 57.51% is the governmental activity decrease and 42.49% decrease came from the business-type activities.<sup>xii</sup>

Major capital assets events during the current fiscal year included the following:

- Rehabilitation of Fairmeadow Drive was completed.
- Asphalt resurfacing was done on Bank Street from Beach Street to Lynx Avenue.
- Water hydrants/valves and sanitary sewer lines were repaired in 6 to 7 areas of the city.
- Sanitary sewer infrastructure was dedicated to the City by two local developers.
- Electrical infrastructure was rebuilt, repaired, and maintained by city line crews.

#### **City of Webster City's Capital Assets (net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	6/30/2005	6/30/2004	6/30/2005	6/30/2004	6/30/2005	6/30/2004
Land	4,906,181	4,871,176	985,146	804,578	5,891,327	5,675,754
Structures and						
Improvements	4,791,668	6,221,514	1,087,238	1,112,735	5,878,906	7,334,249
Improvements other than						
Structures	13,307,512	13,418,267	20,206,877	21,157,761	33,514,389	34,576,028
Machinery & Equipment	1,390,867	1,196,292	572,885	776,274	1,963,752	1,972,566
Construction Work in						
Progress	-	125,068	17,509	79,335	17,509	204,403
Total	24,396,228	25,832,317	22,869,655	23,930,683	47,265,883	49,763,000



**Long-term debt.** At the end of the current fiscal year, the City of Webster City had total bonded debt outstanding of \$12,537,109, not including Tax Increment Financing.<sup>xiii</sup> Of this amount, \$4,945,000 comprises debt backed by the full faith and credit of the government, also not including Tax Increment Financing. The remainder of the City of Webster City's debt represents bonds secured solely by specified revenue source (i.e. revenue bonds).

Total outstanding debt includes an estimated liability for compensated absences. The total estimate for compensated absences is \$341,642 with \$200,623 being for governmental activities and \$141,019 being for business-type activities.

**City of Webster City's Outstanding Debt  
General Obligation and Revenue Bonds**

	Governmental Activities		Business-type Activities		Total	
	6/30/2005	6/30/2003	6/30/2005	6/30/2003	6/30/2005	6/30/2003
General Obligation Bonds	4,390,000	4,965,000	555,000	595,000	4,945,000	5,560,000
Revenue Bonds	2,286,109	2,311,852	5,306,000	5,650,000	7,592,109	7,961,852
Total	6,676,109	7,276,852	5,861,000	6,245,000	12,537,109	13,521,852

The City of Webster City's total long-term liabilities decreased by \$1,036,035 (including notes payable and compensated absences) during the fiscal year. The key factor in this decrease was the payment of bonds and notes during the year and not issuing any new notes or bonds.

State statutes limit the amount of general obligation debt, including tax increment financing. A government entity may issue up to 5% of its total assessed valuation. The current debt limit for the City of Webster City is \$15,734,882. With the General Obligation Debt being \$4,945,000 and the Tax Increment Debt being \$5,110,875, the City of Webster City is at 63.91% of the debt limit.

**Economic Factors and Next Year's Budgets and Rates**

- Assessed valuation for 2005/2006 fiscal year increased. There will also be an increase in the levy, therefore total expected tax dollars will increase.
- City contribution rates for Municipal Police and Fire Retirement System of Iowa will rise from 24.92% to 28.21% in the next fiscal year.
- Electric rates will continue to be reviewed during the next fiscal year with adjustments to be expected.
- The 1996 sewer revenue bond will be reviewed for possible refunding at a lower interest rate.
- General obligation bonds are expected to be issued for infrastructure projects in the spring.

These factors, if known, were considered in preparing the City of Webster City 2005/2006 Budget. If they were not known, then they will be considered with the City of Webster City 2005/2006 Amended Budget.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Webster City's finances for all those with an interest in the government's finances. For questions concerning any of the information provided in this report or requests for additional financial information, please feel free to contact the City of Webster City, Finance Officer, 400 Second Street, P.O. Box 217, Webster City, IA 50595.

# CITY OF WEBSTER CITY

## STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government			
	Governmental	Business-		Component
	Activities	type	Totals	Units
		Activities		
<b>ASSETS</b>				
Cash and investments	\$ 4,269,949	\$ 4,782,187	\$ 9,052,136	\$ 2,269,527
Receivables (net of allowance for uncollectibles)				
Taxes	2,740,944	-	2,740,944	-
Accounts	56,158	853,294	909,452	1,295
Interest	23,045	40,221	63,266	-
Loans	1,832,944	-	1,832,944	-
Due from component unit	6,653	-	6,653	-
Due from other governmental units	24,389	-	24,389	-
Internal balances	(4,095,501)	4,095,501	-	-
Inventories	-	867,715	867,715	-
Prepaid items	12,256	-	12,256	-
Restricted assets				
Temporarily restricted				
Cash and investments	-	778,299	778,299	-
Other assets	55,706	91,402	147,108	-
Land held for resale	65,818	-	65,818	-
Capital assets				
Land	4,906,181	985,146	5,891,327	-
Construction in progress	-	17,509	17,509	-
Land improvements	1,769,401	-	1,769,401	-
Structures and improvements	6,736,182	3,488,127	10,224,309	42,000
Machinery and equipment	2,824,301	1,626,776	4,451,077	-
Infrastructure	21,072,264	49,371,367	70,443,631	-
Less: Accumulated depreciation	(12,912,101)	(32,619,270)	(45,531,371)	(4,620)
Total Assets	29,388,589	34,378,274	63,766,863	2,308,202
<b>LIABILITIES</b>				
Accounts payable	148,751	1,109,378	1,258,129	202
Accrued liabilities	104,424	187,727	292,151	-
Due to primary government	-	-	-	6,653
Unearned revenues	2,845,944	-	2,845,944	-
Noncurrent liabilities				
Due within one year	689,794	471,941	1,161,735	-
Due in more than one year	6,192,631	5,530,078	11,722,709	-
Total Liabilities	9,981,544	7,299,124	17,280,668	6,855
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	18,565,552	17,455,057	36,020,609	-
Restricted				
Debt service	110,890	160,130	271,020	-
Economic development loan	1,249,982	-	1,249,982	-
Road use tax	213,667	-	213,667	-
WC comm rehabilitation revolving loan program	145,477	-	145,477	-
SSMID	8,368	-	8,368	-
Urban renewal tax increment - Peterson	13,165	-	13,165	-
Urban renewal tax increment - RV Project	36,741	-	36,741	-
Urban renewal tax increment - Beam	5,604	-	5,604	-
Urban renewal tax increment - Vantec	144,313	-	144,313	-
Urban renewal tax increment - New Castle	9,552	-	9,552	-
Trust purposes - expendable	77,574	-	77,574	2,307,807
Trust purposes - nonexpendable	378,687	-	378,687	-
Depreciation	-	150,000	150,000	-
Total Restricted	2,394,020	310,130	2,704,150	2,307,807
Unrestricted (deficit)	(1,552,527)	9,313,963	7,761,436	(6,460)
<b>TOTAL NET ASSETS</b>	<b>\$ 19,407,045</b>	<b>\$ 27,079,150</b>	<b>\$ 46,486,195</b>	<b>\$ 2,301,347</b>

See accompanying notes to financial statements.

# CITY OF WEBSTER CITY

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General government	\$ 810,693	\$ 17,506	\$ 2,314	\$ -
Public safety	1,718,293	162,121	42,253	-
Public works	1,815,990	164,209	682,030	172,216
Health and social services	28,527	7,594	-	-
Culture and recreation	829,614	145,657	-	-
Community and economic development	382,417	1,207	-	-
Interest and fiscal charges	295,749	-	-	-
Total Governmental Activities	<u>5,881,283</u>	<u>498,294</u>	<u>726,597</u>	<u>172,216</u>
Business-type Activities				
Water utility	1,105,202	1,424,646	-	-
Sewer utility	1,194,901	1,219,052	-	33,470
Electric utility	<u>10,364,757</u>	<u>9,475,193</u>	<u>-</u>	<u>-</u>
Total Business-type Activities	<u>12,664,860</u>	<u>12,118,891</u>	<u>-</u>	<u>33,470</u>
Total Primary Government	<u>\$ 18,546,143</u>	<u>\$ 12,617,185</u>	<u>\$ 726,597</u>	<u>\$ 205,686</u>
<b>Component Units</b>				
Airport Commission	\$ 73,974	\$ -	\$ 48,000	\$ -
Fuller Trust	<u>157,278</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Total Component Units	<u>\$ 231,252</u>	<u>\$ -</u>	<u>\$ 58,000</u>	<u>\$ -</u>
<b>General Revenues</b>				
Taxes				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Property taxes, TIF				
Property taxes, levied for other purposes				
Other taxes				
Intergovernmental revenues not restricted to specific programs				
Cable franchise fees				
Rents and royalties				
Donations				
Investment income				
Miscellaneous				
<b>Transfers</b>				
Special item - loss on sale of day care facility				
Total General Revenues and Transfers and Special Item				
<b>Change in Net Assets</b>				
NET ASSETS - Beginning (As Restated)				
<b>NET ASSETS - ENDING</b>				

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
\$ (790,873)	\$ -	\$ (790,873)	\$ -
(1,513,919)	-	(1,513,919)	-
(797,535)	-	(797,535)	-
(20,933)	-	(20,933)	-
(683,957)	-	(683,957)	-
(381,210)	-	(381,210)	-
(295,749)	-	(295,749)	-
<u>(4,484,176)</u>	<u>-</u>	<u>(4,484,176)</u>	<u>-</u>
-	319,444	319,444	-
-	57,621	57,621	-
<u>-</u>	<u>(889,564)</u>	<u>(889,564)</u>	<u>-</u>
<u>-</u>	<u>(512,499)</u>	<u>(512,499)</u>	<u>-</u>
(4,484,176)	(512,499)	(4,996,675)	-
			(25,974)
			(147,278)
1,438,803	-	1,438,803	-
749,514	-	749,514	-
690,460	-	690,460	-
406,801	-	406,801	-
691,959	-	691,959	-
6,214	-	6,214	-
67,214	-	67,214	-
140,106	11,164	151,270	23,885
7,272	-	7,272	-
109,553	141,461	251,014	144,575
497,005	536,587	1,033,592	429
439,874	(439,874)	-	-
(987,655)	-	(987,655)	-
<u>4,257,120</u>	<u>249,338</u>	<u>4,506,458</u>	<u>(4,363)</u>
(227,056)	(263,161)	(490,217)	(4,363)
<u>19,634,101</u>	<u>27,342,311</u>	<u>46,976,412</u>	<u>2,305,710</u>
<u>\$ 19,407,045</u>	<u>\$ 27,079,150</u>	<u>\$ 46,486,195</u>	<u>\$ 2,301,347</u>

See accompanying notes to financial statements.

# CITY OF WEBSTER CITY

## BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2005

	General	Child Care Center	Economic Development Loan	Second Street Reconstruction	Other Governmental Funds	Totals
<b>ASSETS</b>						
Cash and investments	\$ 1,495,134	\$ 46,871	\$ 519,339	\$ -	\$ 1,780,212	\$ 3,841,556
Receivables						
Taxes	1,524,231	-	-	-	1,216,713	2,740,944
Accounts	54,345	-	-	-	1,813	56,158
Interest	15,895	2,641	1,523	-	2,986	23,045
Loans	-	724,173	1,020,513	-	88,258	1,832,944
Due from other funds	15,028	-	-	-	-	15,028
Due from component unit	6,653	-	-	-	-	6,653
Due from other governments	5,801	-	-	-	18,588	24,389
Prepaid items	4,350	-	-	-	-	4,350
Advances to other funds	-	-	304,227	-	350,000	654,227
<b>TOTAL ASSETS</b>	<b>\$ 3,121,437</b>	<b>\$ 773,685</b>	<b>\$ 1,845,602</b>	<b>\$ -</b>	<b>\$ 3,458,570</b>	<b>\$ 9,199,294</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 126,478	\$ -	\$ 8	\$ -	\$ 22,265	\$ 148,751
Accrued liabilities	80,882	2,641	-	-	7,154	90,677
Due to other funds	-	-	-	-	15,028	15,028
Deferred revenue	1,669,937	724,173	1,021,436	-	1,306,101	4,721,647
Advances from other funds	-	746,500	594,689	1,886,849	1,322,774	4,550,812
Total Liabilities	<u>1,877,297</u>	<u>1,473,314</u>	<u>1,616,133</u>	<u>1,886,849</u>	<u>2,673,322</u>	<u>9,526,915</u>
<b>Fund Balances</b>						
Reserved for						
Debt service	-	-	-	-	124,637	124,637
Trust activities	-	-	-	-	456,261	456,261
Advances	-	-	304,227	-	350,000	654,227
Prepaid items	4,350	-	-	-	-	4,350
Unreserved and designated, reported in						
General fund	353,511	-	-	-	-	353,511
Special revenue funds	-	-	-	-	768,433	768,433
Capital projects fund	-	-	-	-	415,946	415,946
Unreserved and undesignated, reported in						
General fund	886,279	-	-	-	-	886,279
Special revenue funds (deficit)	-	(699,629)	(74,758)	-	(1,325,760)	(2,100,147)
Capital projects funds (deficit)	-	-	-	(1,886,849)	(4,269)	(1,891,118)
Total Fund Balances	<u>1,244,140</u>	<u>(699,629)</u>	<u>229,469</u>	<u>(1,886,849)</u>	<u>785,248</u>	<u>(327,621)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,121,437</b>	<b>\$ 773,685</b>	<b>\$ 1,845,602</b>	<b>\$ -</b>	<b>\$ 3,458,570</b>	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.						24,396,228
Land held for resale in governmental funds are not financial resources and, therefore, are not reported in the funds.						65,818
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.						1,875,703
Internal service funds are reported in the statement of net assets as governmental funds. See Note II.A.						237,383
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II.A.						(6,840,466)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>						<b>\$ 19,407,045</b>

# CITY OF WEBSTER CITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended June 30, 2005

	General	Child Care Center	Economic Development Loan	Second Street Reconstruction	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 2,111,990	\$ -	\$ -	\$ -	\$ 1,865,545	\$ 3,977,535
Intergovernmental	45,867	-	-	-	852,734	898,601
Regulation and compliance	148,916	-	-	-	-	148,916
Public charges for services	320,783	-	-	-	6,064	326,847
Intergovernmental charges for services	89,743	-	-	-	-	89,743
Special assessments	-	-	-	-	1,512	1,512
Investment income	59,100	-	28,732	-	12,591	100,423
Miscellaneous	235,163	14,509	81,127	20	146,113	476,932
Total Revenues	<u>3,011,562</u>	<u>14,509</u>	<u>109,859</u>	<u>20</u>	<u>2,884,559</u>	<u>6,020,509</u>
<b>EXPENDITURES</b>						
Current						
General government	753,669	-	-	-	29,047	782,716
Public safety	1,299,686	-	-	-	397,701	1,697,387
Public works	447,179	-	-	-	1,271,395	1,718,574
Health and social services	27,910	-	-	-	623	28,533
Culture and recreation	732,229	-	-	-	120,333	852,562
Community and economic development	53,839	-	867,382	-	290,385	1,211,606
Debt Service						
Principal	-	-	-	-	600,743	600,743
Interest and fiscal charges	-	2,642	-	-	299,637	302,279
Total Expenditures	<u>3,314,512</u>	<u>2,642</u>	<u>867,382</u>	<u>-</u>	<u>3,009,864</u>	<u>7,194,400</u>
Excess (deficiency) of revenues over expenditures	<u>(302,950)</u>	<u>11,867</u>	<u>(757,523)</u>	<u>20</u>	<u>(125,305)</u>	<u>(1,173,891)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	47,445	-	-	-	90,830	138,275
Transfers in	480,381	-	9,985	179,405	1,742,450	2,412,221
Transfers out	<u>(225,000)</u>	<u>(746,500)</u>	<u>(20,606)</u>	<u>-</u>	<u>(960,241)</u>	<u>(1,952,347)</u>
Total Other Financing Sources (Uses)	<u>302,826</u>	<u>(746,500)</u>	<u>(10,621)</u>	<u>179,405</u>	<u>873,039</u>	<u>598,149</u>
<b>Change in Fund Balances</b>	<b>(124)</b>	<b>(734,633)</b>	<b>(768,144)</b>	<b>179,425</b>	<b>747,734</b>	<b>(575,742)</b>
<b>FUND BALANCES (DEFICIT) - Beginning of Year</b>	<u>1,244,264</u>	<u>35,004</u>	<u>997,613</u>	<u>(2,066,274)</u>	<u>37,514</u>	<u>248,121</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 1,244,140</u>	<u>\$ (699,629)</u>	<u>\$ 229,469</u>	<u>\$ (1,886,849)</u>	<u>\$ 785,248</u>	<u>\$ (327,621)</u>

See accompanying notes to financial statements.

## CITY OF WEBSTER CITY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2005

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Net change in fund balances - total governmental funds	\$ (575,742)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net assets the cost of these assets is capitalized and they are depreciated over their estimated useful lives with depreciation expense reported in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	284,350
Capital contributions are not a financial resource in the fund financial statements but are recognized as revenue in the government-wide financial statements	7,600
Proceeds from sales of capital assets are reported as a revenue in the fund financial statements but only the gain or loss on capital asset disposals are reported in the government-wide financial statements. A substantial portion of this loss is related to the sale of the day care facility.	(1,401,653)
Depreciation is reported in the government-wide statements	(790,878)
The city changed its method of depreciation, which reduced the amount of accumulated depreciation that had been reported in prior years	442,176

Receivables not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. See Note II.B.	1,142,218
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Debt and leases issued provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which issues (\$0) exceeded payments (\$602,850).	602,850
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(18,220)
Accrued interest on debt	14,514
Debt issuance costs	(7,985)

Internal service funds are used by management to charge the costs of capital equipment and medical insurance to individual departments. The increase in net assets of the internal service funds is reported with governmental activities. See Note II.B.	73,714
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<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (227,056)</u></b>
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See accompanying notes to financial statements.



# CITY OF WEBSTER CITY

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS June 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Utility	Sewer Utility	Electric Utility	Totals	Internal Service Funds
<b>ASSETS</b>					
Current Assets					
Cash and investments	\$ 1,474,649	\$ 794,400	\$ 2,513,138	\$ 4,782,187	\$ 428,393
Restricted Assets					
Cash and investments	16,941	50,841	-	67,782	-
Accounts receivable, net	108,208	123,392	621,694	853,294	-
Interest receivable	7,574	5,010	27,637	40,221	-
Inventories	56,627	18,766	792,322	867,715	-
Prepaid items	-	-	-	-	7,906
Total Current Assets	<u>1,663,999</u>	<u>992,409</u>	<u>3,954,791</u>	<u>6,611,199</u>	<u>436,299</u>
Noncurrent Assets					
Restricted Assets					
Cash and investments	219,500	377,000	114,017	710,517	-
Plant					
Plant in service	12,674,879	10,306,972	32,489,565	55,471,416	-
Less: Accumulated depreciation	(6,941,379)	(2,632,778)	(23,045,113)	(32,619,270)	-
Construction work in progress	-	-	17,509	17,509	-
Net Utility Plant	<u>5,733,500</u>	<u>7,674,194</u>	<u>9,461,961</u>	<u>22,869,655</u>	<u>-</u>
Other Property and Investments					
Advances to other funds	100,000	195,273	3,601,312	3,896,585	-
Unamortized debt issuance costs	26,540	64,862	-	91,402	-
Total Noncurrent Assets	<u>6,079,540</u>	<u>8,311,329</u>	<u>13,177,290</u>	<u>27,568,159</u>	<u>-</u>
Total Assets	<u>7,743,539</u>	<u>9,303,738</u>	<u>17,132,081</u>	<u>34,179,358</u>	<u>436,299</u>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	45,819	55,495	1,008,064	1,109,378	-
Accrued payroll and payroll taxes	9,638	10,305	30,236	50,179	-
Accrued compensated absences	17,986	9,256	44,699	71,941	-
Other accrued liabilities and deposits	2,562	-	115,077	117,639	-
Current portion of general obligation debt	45,000	-	-	45,000	-
Liabilities payable from restricted assets					
Accrued interest	1,311	18,598	-	19,909	-
Current portion of revenue bonds	<u>75,000</u>	<u>280,000</u>	<u>-</u>	<u>355,000</u>	<u>-</u>
Total Current Liabilities	<u>121,005</u>	<u>75,056</u>	<u>1,198,076</u>	<u>1,394,137</u>	<u>-</u>
Noncurrent Liabilities					
Long-term debt net of current maturities					
Accrued compensated absences	15,452	10,392	43,234	69,078	-
General obligation debt	510,000	-	-	510,000	-
Revenue bonds payable	<u>255,000</u>	<u>4,696,000</u>	<u>-</u>	<u>4,951,000</u>	<u>-</u>
Total Noncurrent Liabilities	<u>977,768</u>	<u>5,080,046</u>	<u>1,241,310</u>	<u>7,299,124</u>	<u>-</u>
Total Liabilities	<u>1,098,773</u>	<u>5,155,102</u>	<u>2,439,386</u>	<u>8,693,261</u>	<u>-</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	4,950,040	3,043,056	9,461,961	17,455,057	-
Restricted for:					
Debt service	160,130	-	-	160,130	-
Depreciation	-	150,000	-	150,000	-
Unrestricted	<u>1,655,601</u>	<u>1,030,636</u>	<u>6,428,810</u>	<u>9,115,047</u>	<u>436,299</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 6,765,771</u>	<u>\$ 4,223,692</u>	<u>\$ 15,890,771</u>	<u>26,880,234</u>	<u>\$ 436,299</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Net assets of the internal service funds are allocated to the business-type activities 198,916

**NET ASSETS OF BUSINESS-TYPE ACTIVITIES** \$ 27,079,150

See accompanying notes to financial statements.

# CITY OF WEBSTER CITY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Electric Utility	Totals	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,424,646	\$ 1,219,052	\$ 9,475,193	\$ 12,118,891	\$ 326,748
<b>OPERATING EXPENSES</b>					
Operating and maintenance	887,250	695,790	9,841,141	11,424,181	206,137
Depreciation	171,876	264,116	543,577	979,569	-
Total Operating Expenses	1,059,126	959,906	10,384,718	12,403,750	206,137
Operating income (loss)	365,520	259,146	(909,525)	(284,859)	120,611
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Investment income	30,948	22,122	88,391	141,461	167
Rental income	-	-	11,164	11,164	-
Interest expense	(49,522)	(238,652)	-	(288,174)	-
Miscellaneous	556	(6,123)	542,154	536,587	-
Total Nonoperating Revenues (Expenses)	(18,018)	(222,653)	641,709	401,038	167
Net income (loss) before contributions and transfers	347,502	36,493	(267,816)	116,179	120,778
<b>CONTRIBUTIONS</b>	-	33,470	-	33,470	-
<b>TRANSFERS IN</b>	-	-	40,606	40,606	-
<b>TRANSFERS OUT</b>	(73,475)	-	(407,005)	(480,480)	(20,000)
<b>Change in Net Assets</b>	274,027	69,963	(634,215)	(290,225)	100,778
NET ASSETS - Beginning of Year - As Restated	6,491,744	4,153,728	16,524,986	27,170,458	335,521
<b>NET ASSETS - END OF YEAR</b>	\$ 6,765,771	\$ 4,223,691	\$ 15,890,771	\$ 26,880,233	\$ 436,299
Change in net assets - proprietary funds				\$ (290,225)	
Amounts reported for business-type activities in the statement of activities are different because:					
Internal service funds are used by management to charge the costs of capital equipment and medical insurance to individual departments. The increase in net assets of the internal service funds is reported with business-type activities.				27,064	
<b>CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>				\$ (263,161)	

See accompanying notes to financial statements.

# CITY OF WEBSTER CITY

## STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water Utility	Sewer Utility	Electric Utility	Totals	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Received from customers	\$ 1,448,317	\$ 1,203,900	\$ 10,095,547	\$ 12,747,764	\$ -
Received from other funds	-	-	-	-	326,748
Customer deposits received	-	-	6,301	6,301	-
Paid to suppliers for goods and services	(625,560)	(410,999)	(9,230,018)	(10,266,577)	(209,303)
Paid to employees for services	(284,061)	(259,933)	(685,678)	(1,229,672)	-
Net Cash Flows From Operating Activities	538,696	532,968	186,152	1,257,816	117,445
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating transfers from other funds	-	-	40,606	40,606	-
Operating transfers to other funds	(73,475)	-	(407,005)	(480,480)	(20,000)
Net Cash Flows From Noncapital Financing Activities	(73,475)	-	(366,399)	(439,874)	(20,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal payments on long-term debt	(115,000)	(269,000)	(57,143)	(441,143)	-
Interest paid	(49,812)	(239,862)	-	(289,674)	-
Acquisition and construction of capital assets	(2,219)	(141,569)	(244,650)	(388,438)	-
Received (loaned) on long-term advances	-	91,210	(575,759)	(484,549)	-
Net Cash Flows From Capital and Related Financing Activities	(167,031)	(559,221)	(877,552)	(1,603,804)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income	24,096	17,713	65,354	107,163	190
Net Cash Flows From Investing Activities	24,096	17,713	65,354	107,163	190
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	322,286	(8,540)	(992,445)	(678,699)	97,635
CASH AND CASH EQUIVALENTS - Beginning of Year	1,388,804	1,230,781	3,619,600	6,239,185	330,758
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,711,090	\$ 1,222,241	\$ 2,627,155	\$ 5,560,486	\$ 428,393

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water Utility	Sewer Utility	Electric Utility	Totals	Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 365,520	\$ 259,146	\$ (909,525)	\$ (284,859)	\$ 120,611
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Depreciation	171,876	264,116	543,577	979,569	-
Miscellaneous non-cash expense	1,318	-	-	1,318	-
Non-operating income	5,827	(934)	553,318	558,211	-
Change in assets and liabilities					
Accounts receivable	17,844	(14,218)	67,036	70,662	-
Inventories	7,987	492	(53,988)	(45,509)	-
Prepaid items	-	-	-	-	5,251
Accounts payable	(25,004)	27,107	5,662	7,765	(8,417)
Accrued compensated absences	(545)	991	(10,708)	(10,262)	-
Other accrued liabilities and deposits	(6,127)	(3,732)	(15,521)	(25,380)	-
Customer deposits	-	-	6,301	6,301	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 538,696</u>	<u>\$ 532,968</u>	<u>\$ 186,152</u>	<u>\$ 1,257,816</u>	<u>\$ 117,445</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS</b>					
Cash and investments - statement of net assets - proprietary funds	\$ 1,474,649	\$ 794,400	\$ 2,513,138	\$ 4,782,187	\$ 428,393
Restricted cash and investments - statement of net assets - proprietary funds	<u>236,441</u>	<u>427,841</u>	<u>114,017</u>	<u>778,299</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,711,090</u>	<u>\$ 1,222,241</u>	<u>\$ 2,627,155</u>	<u>\$ 5,560,486</u>	<u>\$ 428,393</u>

#### NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The sewer utility had \$33,470 in developer contributed assets during the year ended June 30, 2005.

# CITY OF WEBSTER CITY

## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS June 30, 2005

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	Private Purpose Trusts
<b>ASSETS</b>	
Cash and investments	\$ 21,554
Accrued interest receivable	<u>154</u>
Total Assets	<u>21,708</u>
<b>LIABILITIES</b>	
Deferred revenue	<u>154</u>
<b>NET ASSETS</b>	
Reserved for private purpose trust activities	<u>21,554</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 21,554</u>

## CITY OF WEBSTER CITY

### STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS For the Year Ended June 30, 2005

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	Private Purpose Trusts
<b>ADDITIONS</b>	
Investment income	\$ 68
<b>DEDUCTIONS</b>	
Health and social services	71
<b>Change in Net Assets</b>	(3)
NET ASSETS - Beginning of Year	21,557
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 21,554</b>

# CITY OF WEBSTER CITY

## COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS June 30, 2005

	<u>Airport Commission</u>	<u>Fuller Trust</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 2,269,527	\$ 2,269,527
Accounts receivable	395	900	1,295
Capital assets			
Buildings	-	42,000	42,000
Less: Accumulated depreciation	-	(4,620)	(4,620)
Total Assets	<u>395</u>	<u>2,307,807</u>	<u>2,308,202</u>
<b>LIABILITIES</b>			
Accounts payable	202	-	202
Due to primary government	<u>6,653</u>	-	<u>6,653</u>
Total Liabilities	<u>6,855</u>	-	<u>6,855</u>
<b>NET ASSETS</b>			
Restricted for trust purposes - expendable	-	2,307,807	2,307,807
Unrestricted (Deficit)	<u>(6,460)</u>	-	<u>(6,460)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ (6,460)</u>	<u>\$ 2,307,807</u>	<u>\$ 2,301,347</u>

See accompanying notes to financial statements.

# CITY OF WEBSTER CITY

## COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNITS

For the Year Ended June 30, 2005

	Airport Commission	Fuller Trust	Totals
<b>OPERATING REVENUES</b>			
Rents and royalties	\$ 19,085	\$ 4,800	\$ 23,885
Miscellaneous	429	10,000	10,429
Total Revenues	<u>19,514</u>	<u>14,800</u>	<u>34,314</u>
<b>OPERATING EXPENSES</b>			
Public works	73,974	-	73,974
Culture and recreation	-	157,278	157,278
Total Expenses	<u>73,974</u>	<u>157,278</u>	<u>231,252</u>
Operating loss	(54,460)	(142,478)	(196,938)
<b>NONOPERATING REVENUES</b>			
Contributions from primary government	48,000	-	48,000
Investment income	-	144,575	144,575
Total Nonoperating Revenues	<u>48,000</u>	<u>144,575</u>	<u>192,575</u>
<b>Change in Net Assets</b>	(6,460)	2,097	(4,363)
NET ASSETS - Beginning of Year	<u>-</u>	<u>2,305,710</u>	<u>2,305,710</u>
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ (6,460)</u>	<u>\$ 2,307,807</u>	<u>\$ 2,301,347</u>

See accompanying notes to financial statements.



## CITY OF WEBSTER CITY

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## CITY OF WEBSTER CITY

### INDEX TO NOTES TO FINANCIAL STATEMENTS (cont.) June 30, 2005

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# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The City of Webster City (city) is a political subdivision of the State of Iowa located in Hamilton County. It was first incorporated in 1874 and operates under the Home Rule provisions of the Constitution of Iowa. The city operates under the Council-Manager form of government with the council members elected on a non-partisan basis. The city provides numerous services to citizens including general government, public safety, public works, health and social services, culture and recreation, and community and economic development services. The city also provides water, sewer and electric services for its citizens.

The accounting policies of the City of Webster City, Iowa conform to generally accepted accounting principles as applicable to governmental units.

#### **A. REPORTING ENTITY**

This report includes all of the funds of the City of Webster City. The reporting entity for the city consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The discretely presented component units are reported in a separate column in the government-wide financial statements (see notes below for descriptions) to emphasize that they are legally separate from the primary government.

#### ***Discretely Presented Component Units***

##### ***Webster City Airport Commission***

The government-wide financial statements include the Webster City Airport Commission ("airport commission") as a component unit. The airport commission is a legally separate organization. The board of the airport commission is appointed by the Webster City Council. Iowa Statutes provide for circumstances whereby the city can impose their will on the airport commission. The airport commission can create a potential financial benefit to or burden on the city. See Note IV.K. As a component unit, the airport commission's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2005. Separate financial statements are not issued for the Webster City Airport Commission.

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### **A. REPORTING ENTITY (cont.)**

##### ***Discretely Presented Component Units (cont.)***

###### ***Fuller Trust***

The government-wide financial statements include the Fuller Trust as a component unit. The Fuller Trust is a legally separate organization. The board of Fuller Trust is elected by the general public. See Note IV.K. As a component unit, the Fuller Trust's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2005. Separate financial statements are not issued for the Fuller Trust.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### ***Government-Wide Financial Statements***

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The city does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

##### ***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## CITY OF WEBSTER CITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

---

#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

##### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)**

###### ***Fund Financial Statements (cont.)***

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the city believes is particularly important to financial statement users may be reported as a major fund.

The city reports the following major governmental funds:

General Fund – accounts for the city's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Child Care Center – accounts for resources legally restricted to supporting expenditures for the child care center.

Economic Development Loan – accounts for resources legally restricted to supporting expenditures for the economic development loan program.

Second Street Reconstruction – accounts for revenues and expenditures related to the Second Street reconstruction project.

The city reports the following major enterprise funds:

Water Utility – accounts for operations of the water system

Sewer Utility – accounts for operations of the sewer system

Electric Utility – accounts for operations of the electric system

The city reports the following non-major governmental and enterprise funds:

###### ***Non-Major Governmental Funds***

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

FICA/IPERS

Worker's Compensation

Medical/Flex Insurance

Unemployment Compensation

Road Use Tax

Police and Fire Retirement Trust

Drug Abuse Resistance

Education/Seized Property Trust

K9 Trust

WC Comm Rehabilitation Revolving

Loan Program

Urban Renewal Tax Increment–

Riverview

## CITY OF WEBSTER CITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

---

#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

##### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)**

###### **Fund Financial Statements (cont.)**

###### *Non-Major Governmental Funds (cont.)*

###### *Special Revenue Funds (cont.)*

Urban Renewal Tax Increment–Hy Vee  
Urban Renewal Tax Increment–IC Enterprises  
Urban Renewal Tax Increment–Brewer Creek  
Self-Supported Municipal Improvement District  
Urban Renewal Tax Increment–Struchen  
Urban Renewal Tax Increment–Peterson  
Urban Renewal Tax Increment–WC RV Project  
Urban Renewal Tax Increment–Beam  
Urban Renewal Tax Increment–Vantec  
Urban Renewal Tax Increment–Southeast  
Urban Renewal Tax Increment–Southwest  
Urban Renewal Tax Increment–New Castle  
Urban Renewal Tax Increment–Gourley  
Edward Prince Trust

Debt Service Fund – used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

###### General Debt Service

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

Brewer Creek Estates	College Street Reconstruction
Wilson Avenue Bridge Improvements	Bridge Improvements
1999 Sidewalk Improvements	Capital Improvement Reserve
Brewer Creek Park/Trail Improvements	Day Care Facility
Airport 2003 Runway Lights	SE Development Park
Annual Street Maintenance	

Permanent Funds – used to report resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the reporting government's programs; that is, for the benefit of the government or its citizenry.

###### Perpetual Care Trust

In addition, the city reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

###### Capital Equipment

###### Medical/Flex

Private-purpose trust funds are used to report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Joe E. Barr Trust  
Edgar Foster Trust  
Calvary Cemetery Trust

Zella Silvers Trust  
Mulberry Church Trust

# **CITY OF WEBSTER CITY**

## **NOTES TO FINANCIAL STATEMENTS** June 30, 2005

---

### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

##### ***Government-Wide Financial Statements***

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water, sewer, and electric utility and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

##### ***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled to the resources and the amounts are available. Amounts owed to the city which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)**

##### ***Fund Financial Statements (cont.)***

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The city reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the city has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the city has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, and electric utilities are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### ***All Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.



# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY***

##### ***1. Deposits and Investments***

For purposes of the statement of cash flows, the city considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of city funds is restricted by state statutes. Available investments are limited to:

1. Obligations of the United States government, its agencies and instrumentalities.
2. Certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the city council.
3. Prime eligible bankers acceptances.
4. Certain high rated commercial paper.
5. Perfected repurchase agreements.
6. Certain registered open-end management investment companies.
7. Certain joint investment trusts
8. Warrants or improvement certificates of a drainage district.

The city has adopted an investment policy. That policy follows the state statute for allowable investments.

Custodial Credit Risk – The city has no policy in place regarding custodial credit risk and deposits with financial institutions.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances.

See Note IV.A. for further information.

##### ***2. Receivables***

###### ***Property Taxes***

Property taxes are levied in March on the assessed value as of January 1 of the prior year. The county collects the property taxes and remits them to the city.

Property tax calendar – 2005-2006 tax roll:

Lien date and levy date	March 2005
Payment in full, or	September 30, 2005
First installment due	September 30, 2005
Second installment due	March 31, 2006

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***2. Receivables (cont.)***

###### ***Uncollectible Accounts***

Accounts receivable have been shown net of an allowance for uncollectible accounts.

###### ***Interfund Transactions***

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

###### ***Loans***

The city has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The city records a loan receivable when the loan has been made and funds have been disbursed.

It is the city’s policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year-end are presented as designated fund balance in the fund financial statements.

##### ***3. Inventories and Prepaid Items***

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements.

# **CITY OF WEBSTER CITY**

## **NOTES TO FINANCIAL STATEMENTS** **June 30, 2005**

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***4. Restricted Assets***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

##### ***5. Capital Assets***

###### ***Government–Wide Statements***

In the government-wide financial statements, capital assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$25,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to July 2002, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB No. 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required until July 1, 2006, when GASB No. 34 requires the city to retroactively report all major general infrastructure assets acquired since January 1, 1980. For the year ended June 30, 2004, the city retroactively reported all network infrastructure acquired by its governmental fund types. The networks have been reported in their entirety.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

## CITY OF WEBSTER CITY

### NOTES TO FINANCIAL STATEMENTS June 30, 2005

---

#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

##### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***5. Capital Assets (cont.)***

##### ***Government–Wide Statements (cont.)***

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	30-150 Years
Land Improvements	50-100 Years
Machinery and Equipment	3-30 Years
Utility System	25-90 Years
Infrastructure	20-100 Years

##### ***Fund Financial Statements***

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

##### ***6. Other Assets***

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

##### ***7. Compensated Absences***

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at June 30, 2005 are determined on the basis of current salary rates and include salary related payments.

## CITY OF WEBSTER CITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

##### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***8. Long-Term Obligations/Conduit Debt***

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year end, the aggregate principal amount for the one series outstanding could not be determined; however, the original issue amount totaled \$300,000. This IRB will be forgiven or paid by May 20, 2009.

##### ***9. Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

##### ***10. Equity Classifications***

##### ***Government-Wide Statements***

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **10. Equity Classifications (cont.)**

###### **Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

Fiduciary fund equity is classified as held in trust for various private purposes on the statement of fiduciary net assets. Various donor restrictions apply, including authorizing and spending trust income, and the city believes it is in compliance with all significant restrictions. Net appreciation of \$21,554 was available for various private purposes for the year ended June 30, 2005.

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### NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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#### **A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. The details of these differences are as follows:

Internal service funds are reported in the statement of net assets as governmental funds.

Capital equipment fund net assets	\$ 374,796
Medical/flex fund net assets	61,503
Portion of internal service fund net assets attributed to business-type activities	<u>(198,916)</u>
Combined Adjustment for Internal Service Funds	<u>\$ 237,383</u>

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

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#### **A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS (cont.)**

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net assets.

Bonds and notes payable	\$ 6,676,109
Compensated absences	200,623
Capital leases	5,693
Accrued interest	13,747
Unamortized debt issuance costs	<u>(55,706)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 6,840,466</u>

#### **B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. The details of these differences are as follows:

Receivables not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. The changes to deferred revenue are detailed below.

Loans and other long-term receivables	\$ 1,133,238
Investment income	<u>8,980</u>
Combined Adjustment for Deferred Revenue	<u>\$ 1,142,218</u>

Internal service funds are used by management to charge the costs of capital equipment and medical insurance to individual departments. The increase in net assets of the internal service funds is reported with governmental activities.

Increase in net assets	\$ 100,778
Business-type activities share of net asset increase	<u>(27,064)</u>
Combined Adjustment for Internal Service Funds	<u>\$ 73,714</u>

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. BUDGETARY INFORMATION

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: general government, public safety, public works, health and social services, culture and recreation, community and economic development, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds, and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$2,731,033. This budget amendment is reflected in the final budgeted amounts.

#### B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Budgeted expenditures were exceeded by actual expenditures in the following functions:

Function	Budgeted Expenditures	Actual Expenditures	Excess
Public safety	\$ 1,702,721	\$ 1,712,670	\$ 9,949
Public works	1,197,961	1,424,945	226,984
Health and social services	26,763	28,533	1,770
Community and economic development	934,383	1,282,362	347,979
Business-type activities	12,589,559	13,100,053	510,494

#### C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end.

As of June 30, 2005, the following non-major individual funds held a deficit balance:

Fund	Amount	Reason
Unemployment Compensation	\$ 2,912	Expenditures exceeded revenues
K9 Trust	74	Expenditures exceeded revenues
Urban Renewal Tax Increment– Brewer Creek	301,082	Tax increment not sufficient to cover expenditures
Urban Renewal Tax Increment – Southeast	599,500	Tax increment not sufficient to cover expenditures
Urban Renewal Tax Increment – Southwest	422,192	Tax increment not sufficient to cover expenditures
1999 Sidewalk Improvements	4,269	Capital expenditures exceeded revenues

Tax incremental districts are anticipated to be funded with future incremental taxes levied over the lives of the districts. Other fund deficits are anticipated to be funded with future operating transfers, general tax revenues or long-term borrowing.



# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### NOTE IV – DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

The city's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	<u>\$ 9,851,989</u>	<u>\$ 9,686,815</u>	Custodial credit risk
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 8,349,435		
Restricted cash and investments	1,481,000		
Per statement of net assets –			
Fiduciary Funds			
Private purpose trust	<u>21,554</u>		
Total Cash and Investments	<u>\$ 9,851,989</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts. In accordance with Chapter 12C of the Code of Iowa, deposits are insured by the state sinking fund, which provides for additional assessments against the depositories to ensure there will be no loss of public funds.

#### Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the city's deposits may not be returned to the city.

As of June 30, 2005, \$9,286,815 of the city's total bank balance of \$9,686,815 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 9,286,815</u>
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See Note I.D.1. for further information on deposit and investment policies.

#### B. RECEIVABLES

Information regarding receivables as of year-end for the city's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate are as follows:

	General	Child Care Center	Economic Develop- ment Loan	Water Utility	Sewer Utility	Electric Utility	Other Govern- mental Funds
Amounts not expected to be collected within one year	<u>\$ 1,127</u>	<u>\$ 724,173</u>	<u>\$ 1,020,513</u>	<u>\$ 1,826</u>	<u>\$ 1,798</u>	<u>\$ 2,472</u>	<u>\$ 88,258</u>

## CITY OF WEBSTER CITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2004

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#### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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##### **B. RECEIVABLES (cont.)**

Revenues of the city are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to general fund	\$ 1,127
Uncollectibles related to water utility	1,826
Uncollectibles related to sewer utility	1,798
Uncollectibles related to electric utility	<u>2,472</u>
Total Uncollectibles of the Current Fiscal Year	<u>\$ 7,223</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Taxes receivable for use in subsequent year	\$ -	\$ 2,740,944	\$ 2,740,944
Prepaid lease payment	-	105,000	105,000
Long-term loans receivable not yet due	1,832,744	-	1,832,744
Other long-term receivables not collected within 60 days of year end	<u>42,959</u>	<u>-</u>	<u>42,959</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 1,875,703</u>	<u>\$ 2,845,944</u>	<u>\$ 4,721,647</u>

##### **C. RESTRICTED ASSETS**

The following represent the balances of the restricted assets:

##### **Long Term Debt Accounts**

- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation – Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### **C. RESTRICTED ASSETS (cont.)** **Customer Deposit Account**

The electric utility established a customer deposit account to segregate deposits collected from customers.

Following is a list of restricted assets at June 30, 2005:

	Restricted Assets
Bond reserve account	\$ 446,500
Bond depreciation account	150,000
Bond redemption account	67,782
Customer deposit account	114,017
	<hr/>
Total Restricted Assets	<u>\$ 778,299</u>

#### **D. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets not being depreciated					
Land	\$ 3,973,475	\$ 3,140	\$ -	\$ 31,865	\$ 4,008,480
Right of way	897,701	-	-	-	897,701
Construction in progress	125,068	-	125,068	-	-
Total Capital Assets					
Not Being Depreciated	<u>4,996,244</u>	<u>3,140</u>	<u>125,068</u>	<u>31,865</u>	<u>4,906,181</u>

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **D. CAPITAL ASSETS (cont.)**

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets being depreciated					
Land improvements	\$ 1,578,009	\$ 191,392	\$ -	\$ -	\$ 1,769,401
Structures and improvements	8,113,010	20,000	1,396,828	-	6,736,182
Machinery and equipment	2,975,921	97,578	217,333	(31,865)	2,824,301
Streets	17,203,639	104,938	-	-	17,308,577
Trails and paths	138,912	-	-	-	138,912
Sidewalks	292,411	-	-	-	292,411
Storm sewers	930,714	-	-	-	930,714
Bridges	2,017,993	-	-	-	2,017,993
Dam	200,000	-	-	-	200,000
Traffic signals	183,657	-	-	-	183,657
Total Capital Assets Being Depreciated	<u>33,634,266</u>	<u>413,908</u>	<u>1,614,161</u>	<u>(31,865)</u>	<u>32,402,148</u>
Total Capital Assets	<u>38,630,510</u>	<u>417,048</u>	<u>1,739,229</u>	<u>-</u>	<u>37,308,329</u>
Less: Accumulated depreciation for					
Land improvements	(15,780)	(31,064)	-	-	(46,844)
Structures and improvements	(1,891,496)	(178,429)	17,460	107,951	(1,944,514)
Machinery and equipment	(1,779,629)	(210,868)	217,334	339,729	(1,433,434)
Streets	(7,543,130)	(313,834)	-	(8,420)	(7,865,384)
Trails and paths	(7,249)	(2,778)	-	3,643	(6,384)
Sidewalks	(193,438)	(2,924)	-	8	(196,354)
Storm sewers	(418,386)	(10,061)	-	(729)	(429,176)
Bridges	(849,642)	(26,907)	-	-	(876,549)
Dam	(33,327)	(6,667)	-	(6)	(40,000)
Traffic signals	(66,116)	(7,346)	-	-	(73,462)
Total Accumulated Depreciation	<u>(12,798,193)</u>	<u>(790,878)</u>	<u>234,794</u>	<u>442,176</u>	<u>(12,912,101)</u>
Capital Assets, Net of Depreciation	<u>\$ 25,832,317</u>				<u>\$ 24,396,228</u>

The adjustments to capital assets represents reclassification of assets. The adjustments to accumulated depreciation reflect the change in depreciation method from a composite basis to individual asset.

Depreciation expense was charged to functions as follows:

#### **Governmental Activities**

General government	\$ 29,698
Public safety	80,762
Public works, which includes the depreciation of infrastructure	485,897
Culture and recreation	<u>194,521</u>
Total Governmental Activities Depreciation Expense	<u>\$ 790,878</u>

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **D. CAPITAL ASSETS (cont.)**

	Beginning Balance	Additions	Deletions	Adjust- ments	Ending Balance
<u>Electric</u>					
Capital assets not being depreciated					
Land	\$ 395,077	\$ -	\$ -	\$ 106,216	\$ 501,293
Construction in progress	-	17,509	-	-	17,509
Total Capital Assets Not Being Depreciated	<u>395,077</u>	<u>17,509</u>	<u>-</u>	<u>106,216</u>	<u>518,802</u>
Capital assets being depreciated					
Generation	12,460,975	-	-	-	12,460,975
Transmission	6,355,235	-	-	-	6,355,235
Distribution	10,877,654	194,304	2,014	-	11,069,944
Structures and improvements	1,076,140	-	-	-	1,076,140
Machinery and equipment	1,099,357	32,837	-	(106,216)	1,025,978
Total Capital Assets Being Depreciated	<u>31,869,361</u>	<u>227,141</u>	<u>2,014</u>	<u>(106,216)</u>	<u>31,988,272</u>
Total Capital Assets	<u>32,264,438</u>	<u>244,650</u>	<u>2,014</u>	<u>-</u>	<u>32,507,074</u>
Less: Accumulated depreciation for					
Generation	(8,742,260)	(377,688)	-	-	(9,119,948)
Transmission	(5,489,618)	(37,856)	-	-	(5,527,474)
Distribution	(7,276,982)	(41,937)	2,014	-	(7,316,905)
Structures and improvements	(359,136)	(36,982)	-	-	(396,118)
Machinery and equipment	(635,554)	(49,114)	-	-	(684,668)
Total Accumulated Depreciation	<u>(22,503,550)</u>	<u>(543,577)</u>	<u>2,014</u>	<u>-</u>	<u>(23,045,113)</u>
Net Electric Plant	<u>\$ 9,760,888</u>				<u>\$ 9,461,961</u>

The adjustments to capital assets represents reclassification of assets.

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **D. CAPITAL ASSETS (cont.)**

	Beginning Balance	Additions	Deletions	Adjust- ments	Ending Balance
<u>Water</u>					
Capital assets not being depreciated					
Land	\$ 362,315	\$ -	\$ -	\$ 63,730	\$ 426,045
Construction in progress	47,562	-	47,562	-	-
Total Capital Assets Not Being Depreciated	409,877	-	47,562	63,730	426,045
Capital assets being depreciated					
Wells and towers	1,574,357	-	-	-	1,574,357
Treatment	2,350,280	-	-	-	2,350,280
Distribution	5,742,666	28,565	3,985	-	5,767,246
Structures and improvements	2,003,608	-	-	39,809	2,043,417
Machinery and equipment	621,704	21,216	25,847	(103,539)	513,534
Total Capital Assets Being Depreciated	12,292,615	49,781	29,832	(63,730)	12,248,834
Total Capital Assets	12,702,492	49,781	77,394	-	12,674,879
Less: Accumulated depreciation for					
Wells and towers	(1,074,214)	(29,702)	-	(61,743)	(1,165,659)
Treatment	(2,131,094)	(30,580)	-	-	(2,161,674)
Distribution	(1,385,387)	97,842	2,667	(19,927)	(1,500,489)
Structures and improvements	(1,770,768)	(19,081)	-	-	(1,789,849)
Machinery and equipment	(354,884)	5,329	25,847	-	(323,708)
Total Accumulated Depreciation	(6,716,347)	(171,876)	28,514	(81,670)	(6,941,379)
Net Water Plant	<u>\$ 5,986,145</u>				<u>\$ 5,733,500</u>

The adjustments to capital assets represents reclassification of assets. The adjustments to accumulated depreciation reflect the change in depreciation method from the composite basis to individual asset. Due to the change in depreciation method, machinery and equipment show a negative addition to accumulated depreciation, which reflects prior overdepreciation.

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **D. CAPITAL ASSETS (cont.)**

	Beginning Balance	Additions	Deletions	Adjust- ments	Ending Balance
<b>Sewer</b>					
Capital assets not being depreciated					
Land	\$ 47,186	\$ -	\$ -	\$ 10,622	\$ 57,808
Construction in progress	31,773	-	31,773	-	-
Total Capital Assets Not Being Depreciated	78,959	-	31,773	10,622	57,808
Capital assets being depreciated					
Distribution	3,062,093	201,264	494	-	3,262,863
Treatment	6,530,466	-	-	-	6,530,466
Structures and improvements	368,571	-	-	-	368,571
Machinery and equipment	96,029	5,549	3,692	(10,622)	87,264
Total Capital Assets Being Depreciated	10,057,159	206,813	4,186	(10,622)	10,249,164
Total Capital Assets	10,136,118	206,813	35,959	-	10,306,972
Less: Accumulated depreciation for					
Distribution	(826,250)	(38,363)	494	(3,799)	(867,918)
Treatment	(870,225)	(217,682)	-	(416,515)	(1,504,422)
Structures and improvements	(205,679)	(9,244)	-	-	(214,923)
Machinery and equipment	(50,380)	1,173	3,692	-	(45,515)
Total Accumulated Depreciation	(1,952,534)	(264,116)	4,186	(420,314)	(2,632,778)
Net Sewer Plant	<u>\$ 8,183,585</u>				<u>\$ 7,674,194</u>

The adjustments to capital assets represents reclassification of assets. The adjustments to accumulated depreciation reflect the change in depreciation method from the composite basis to individual asset. Due to the change in depreciation method, machinery and equipment show a negative addition to accumulated depreciation, which reflects prior overdepreciation.

Business-type Capital Assets, Net of Depreciation	<u>\$ 23,930,683</u>	<u>\$ 22,869,655</u>
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Depreciation expense was charged to functions as follows:

#### **Business-type Activities**

Water	\$ 171,876
Sewer	264,116
Electric	543,577
Total Business-type Activities Depreciation Expense	<u>\$ 979,569</u>

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### ***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS***

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Capital projects – 1999 Sidewalk Improvements	\$ 2,575
General fund	Capital projects – Airport 2003 Runway Lights	12,453
Sub-total – Fund Financial Statements		15,028
Less: Elimination to government-wide statements		(15,028)
Total – Government-wide Statement of Net Assets		<u>\$ -</u>

All amounts are due within one year.

The principal purpose of these interfunds is to cover fund overdrafts on pooled cash accounts. For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
Economic Development Loan	Urban Renewal Tax Increment–Southeast	\$ 304,227	\$ 304,227
Water Utility	Urban Renewal Tax Increment–Southeast	100,000	100,000
Sewer Utility	Urban Renewal Tax Increment–Southeast	195,273	195,273
Electric Utility	Urban Renewal Tax Increment–Brewer Creek Estates	301,082	301,082
Electric Utility	Urban Renewal Tax Increment – Southwest	422,192	422,192
Electric Utility	Second Street Reconstruction	1,886,849	1,886,849
Electric Utility	Child Care Center	396,500	396,500
Electric Utility	Economic Development Loan	594,689	546,001
Capital Improvement Reserve	Child Care Center	350,000	350,000
Sub-total Fund Financial Statements		4,550,812	4,502,124
Less: Fund eliminations		(654,227)	(654,227)
Add: Internal service fund allocations		198,916	198,916
Total Government-wide Statement of Net Assets		<u>\$ 4,095,501</u>	<u>\$ 4,046,813</u>

The purpose of these interfunds is to finance capital projects and economic development, which will be repaid with future tax increments.



# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### ***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)***

The following represents the repayment schedule between the Electric Utility and the Economic Development Loan Fund.

Years	Advance	
	Principal	Interest
2006	\$ 48,688	\$ 25,766
2007	50,925	23,529
2008	53,264	21,189
2009	55,711	18,743
2010	58,270	16,183
2011 – 2015	327,831	38,216
Totals	<u>\$ 594,689</u>	<u>\$ 143,626</u>

The advance between the Capital Improvement Reserve Fund and the Child Care Center along with the advance between the Electric Utility and the Child Care Center are charging interest of 4.38%. The Child Care Center will pay monies over as they are available. There are currently no formal repayment schedules for these advances.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General fund	Water utility	\$ 73,475	Operations
General fund	Electric utility	406,906	Operations
Economic development loan	Urban renewal tax increment – Gourley	1,365	Per Gourley agreement
Economic development loan	Urban renewal tax increment – Struchen	8,620	Per Struchen agreement
Second Street reconstruction	Urban renewal tax increment – Riverview	144,405	TIF revenue
Second Street reconstruction	Self-supported municipal improvement district	35,000	Contribution to capital project
Electric utility	Economic development loan	20,606	Repayment
Electric utility	Medical/flex insurance internal service	20,000	Self insurance payback
Medical/flex insurance special revenue	General fund	200,000	Tax relief
Urban renewal tax increment – Brewer Creek	Brewer Creek Estates	78,205	Lot sales
Self-supported municipal improvement district	Urban renewal tax increment – Riverview	9,250	SSMID portion of TIF revenue
Urban renewal tax increment – Brewer Creek Estates	Electric utility	99	Advance transactions

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### ***E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)***

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Urban renewal tax increment – Southeast	SE development park	\$ 79,710	Repayment Contribution to sidewalk program
1999 sidewalk improvements	General fund	25,000	Curb ramp program
1999 sidewalk improvements	Road use tax	10,000	Street improvements
Annual street maintenance	Road use tax	130,000	Street projects
Annual street maintenance	College street reconstruction	51,297	Cover bridge improvement
Bridge improvements	Annual street maintenance	62,389	Principal payment
Capital improvement reserve	Debt service	350,000	Cover project shortfall
Day Care facility	Child care center	746,500	
Sub-total – Fund financial statements		2,452,827	
Less: Fund eliminations		(2,012,853)	
Total Transfers – Government-Wide Statement of Activities		<u>\$ 439,874</u>	

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Governmental activities	Business-type activities	\$ 480,480
Business-type activities	Governmental activities	(40,606)
Total		<u>\$ 439,874</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### ***F. SHORT-TERM DEBT ACTIVITY***

The city issued short-term debt for temporary financing in relation to the day care facility project. Short-term debt activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Note payable	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ -</u>

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### **G. LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable					
General obligation debt	\$ 4,965,000	\$ -	\$ 575,000	\$ 4,390,000	\$ 585,000
Revenue bonds	2,311,852	-	25,743	2,286,109	-
Sub-totals	7,276,852	-	600,743	6,676,109	585,000
Other Liabilities					
Vested compensated absences	182,403	128,985	110,765	200,623	102,546
Capital leases	7,800	-	2,107	5,693	2,248
Total Other Liabilities	190,203	128,985	112,872	206,316	104,794
Total Governmental Activities Long-Term Liabilities	<u>\$ 7,467,055</u>	<u>\$ 128,985</u>	<u>\$ 713,615</u>	<u>\$ 6,882,425</u>	<u>\$ 689,794</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable					
General obligation debt	\$ 595,000	\$ -	\$ 40,000	\$ 555,000	\$ 45,000
Revenue bonds	5,650,000	-	344,000	5,306,000	355,000
Notes payable	57,143	-	57,143	-	-
Sub-totals	6,302,143	-	441,143	5,861,000	400,000
Other Liabilities					
Vested compensated absences	151,281	70,570	80,832	141,019	71,941
Total Business-type Activities Long-Term Liabilities	<u>\$ 6,453,424</u>	<u>\$ 70,570</u>	<u>\$ 521,975</u>	<u>\$ 6,002,019</u>	<u>\$ 471,941</u>

#### **General Obligation Debt**

All general obligation notes and bonds payable are backed by the full faith and credit of the city. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### **G. LONG-TERM OBLIGATIONS** (cont.)

##### **General Obligation Debt** (cont.)

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 06-30-05</u>
Governmental Activities General Obligation Debt					
Corporate purpose bonds	09/01/97	06/01/07	4.05 - 4.65%	1,500,000	\$ 350,000
Corporate purpose bonds	11/01/98	06/01/13	3.45 - 4.15%	1,100,000	720,000
Corporate purpose bonds	10/01/99	06/01/15	4.40 - 5.50%	690,000	510,000
Corporate purpose bonds	01/01/02	06/01/17	2.55 - 5.00%	1,010,000	865,000
Corporate purpose bonds	07/01/03	06/01/18	1.25 - 3.80%	1,125,000	1,015,000
Corporate purpose bonds	11/01/03	06/01/10	1.50 - 3.00%	1,115,000	930,000
Total Governmental Activities – General Obligation Debt					<u>\$ 4,390,000</u>
Business-type Activities General Obligation Debt					
Corporate purpose bonds	10/01/99	06/01/15	4.40 - 5.50%	\$ 745,000	<u>\$ 555,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 585,000	\$ 164,966	\$ 45,000	\$ 28,858
2007	605,000	145,988	45,000	26,698
2008	440,000	124,863	50,000	24,493
2009	455,000	110,750	50,000	21,993
2010	470,000	94,780	55,000	19,443
2011 – 2015	1,365,000	271,711	310,000	52,140
2016 – 2018	470,000	36,215	-	-
Totals	<u>\$ 4,390,000</u>	<u>\$ 949,273</u>	<u>\$ 555,000</u>	<u>\$ 173,625</u>

#### **Revenue Debt**

Revenue bonds are payable only from revenues derived from the operation of the water utility, sewer utility, and Fuller Hall community center.

Revenue debt payable at June 30, 2005 consists of the following:

#### **Governmental Activities Revenue Debt**

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 06-30-05</u>
Community Center revenue note	07/01/02	07/01/42	Variable	\$ 2,600,000	<u>\$ 2,286,109</u>

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### **G. LONG-TERM OBLIGATIONS** (cont.)

##### ***Business-type Activities Revenue Debt***

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 06-30-05</u>
<u>Water Utility</u>					
Revenue bonds	12/01/97	06/01/09	4.00 - 4.80%	\$ 670,000	<u>\$ 330,000</u>
<u>Sewer Utility</u>					
Revenue bonds	07/01/96	06/01/16	5.375 – 5.875%	\$ 2,650,000	1,790,000
Revenue bonds	02/07/00	06/01/20	3.92%	3,900,000	<u>3,186,000</u>
			Total Sewer Utility		<u>4,976,000</u>
Total Business-type Activities Revenue Debt					<u><u>\$ 5,306,000</u></u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 355,000	\$ 243,226
2007	376,000	226,828
2008	393,000	209,371
2009	410,000	191,084
2010	337,000	171,868
2011 – 2015	1,949,000	602,411
2016 – 2020	<u>1,486,000</u>	<u>165,942</u>
Totals	<u><u>\$ 5,306,000</u></u>	<u><u>\$ 1,810,730</u></u>

A repayment schedule has not been established for the community center revenue note as of June 30, 2005.

A statutory mortgage lien upon the city's utility system and any additions, improvements and extensions thereto is created by the ordinances creating the revenue bond issue. The city's utility system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **G. LONG-TERM OBLIGATIONS** (cont.)

##### **Capital Leases**

Refer to Note IV.H.

##### **Notes Payable**

Corn Belt Power Cooperative (Corn Belt) allocated deferred patronage dividends of \$1,064,310 as required by Chapter 499 of the Code of Iowa, to North Iowa Municipal Electric Cooperative Association (NIMECA), of which the city is a member. NIMECA may borrow these deferred patronage dividends to help implement their marketing programs. In August, 1997, two loan agreements, totaling \$400,000 were entered into between Corn Belt and NIMECA for economic development purposes. These loans were secured by the City of Webster City's municipal utilities based on their proportionate share of the deferred patronage dividend. These loans were paid off in fiscal year 2005.

##### **Other Debt Information**

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The city believes it is in compliance with all but one of the significant limitations and restrictions, including federal arbitrage regulations. In the year ended June 30, 2005, the city did not meet the debt coverage ratio required by the 2000 revenue bonds. The city has adjusted its sewer rates to resolve this deficiency.

#### **H. LEASE DISCLOSURES**

##### **Lessee – Capital Leases**

In 2002, the city acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$10,869, which is included in capital assets in the governmental activities. The future minimum lease obligations and the net present value on these minimum lease payments as of June 30, 2005, are as follows:

	Governmental Activities
2006	\$ 2,552
2007	2,552
2008	<u>1,063</u>
Sub-Total	6,167
Less: Amount representing interest	<u>(474)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 5,693</u></u>

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **H. LEASE DISCLOSURES** (cont.)

##### ***Lessor – Operating Leases***

###### ***Gas Line Lease***

The city owns a portion of the natural gas distribution system within city limits. These assets were purchased and constructed between 1920 and 1946 and the original cost is not known. In 1947, the city entered into an agreement to lease the use, operation and maintenance of these properties to the local gas company. As part of this agreement, the city receives an annual transportation fee from the gas company. The most recent agreement was executed in 2005 and runs through 2025. A payment of \$85,000 was received for the year ending June 30, 2005. The future minimum rentals as of June 30, 2005 are as follows:

	Governmental Activities
2006	\$ 105,000
2007	107,100
2008	109,242
2009	111,427
2010	113,655
2011-2015	603,296
2016-2020	666,088
2021-2025	735,416
Total Future Minimum Rentals	<u>\$ 2,551,224</u>

#### **I. NET ASSETS/FUND BALANCES**

Governmental activities net assets reported on the government wide statement of net assets at June 30, 2005 includes the following:

##### ***Governmental Activities***

Invested in capital assets, net of related debt

Land	\$ 4,906,181
Other capital assets, net of accumulated depreciation	19,490,047
Less: related long-term debt outstanding (net of unspent proceeds of debt)	<u>(5,830,676)</u>
Total Invested in Capital Assets	<u>18,565,552</u>

## CITY OF WEBSTER CITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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#### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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##### **I. NET ASSETS/FUND BALANCES** (cont.)

##### **Governmental Activities** (cont.)

Restricted	
Debt service	\$ 110,890
Economic development loan	1,249,982
Road use tax	213,667
WC comm. rehabilitation revolving loan program	145,477
SSMID	8,368
Urban renewal tax increment – Peterson	13,165
Urban renewal tax increment – RV project	36,741
Urban renewal tax increment – Beam	5,604
Urban renewal tax increment – Vantec	144,313
Urban renewal tax increment – New Castle	9,552
Edward prince trust	77,574
Perpetual care trust	378,687
Total Restricted	<u>2,394,020</u>
Unrestricted (deficit)	<u>(1,552,527)</u>
Total Governmental Activities Net Assets	<u>\$ 19,407,045</u>

Governmental fund balances reported on the fund financial statements at June 30, 2005 include the following:

##### **Reserved**

##### Major Funds

General Fund	
Prepaid items	\$ 4,350
Economic Development Loan	
Advances to other funds	304,227

##### Non-Major Funds

Reserved for Debt Service	
General debt service	124,637
Reserved for Trust Activities	
Edward Prince Trust	77,574
Perpetual Care Trust	378,687
Reserved for Advances	
Capital Improvement Reserve	<u>350,000</u>
Total Reserved Fund Balance	<u>\$ 1,239,475</u>



# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **I. NET ASSETS/FUND BALANCES (cont.)**

##### **Governmental Activities (cont.)**

##### **Unreserved (Designated)**

###### Major Funds

###### General Fund

Surplus applied to subsequent budget	\$ 353,511
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###### Non-Major Funds

###### Special Revenue Funds

FICA/IPERS Fund	\$ 116,244
Worker's Comp Fund	30,709
Medical/Flex Insurance Fund	96,566
Road Use Tax Fund	213,667
Police/Fire Retirement Trust Fund	32,909
DARE/Seized Property Trust Fund	3,376
WC Comm Rehabilitation Revolving Loan Program	57,219
Self-Supported Municipal Improvement District	8,368
Urban Renewal Tax Increment-Peterson	13,165
Urban Renewal Tax Increment-WC RV Project	36,741
Urban Renewal Tax Increment-Beam	5,604
Urban Renewal Tax Increment-Vantec	144,313
Urban Renewal Tax Increment-New Castle	<u>9,552</u>

Total Special Revenue Funds	<u>\$ 768,433</u>
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###### Capital Projects Funds

Wilson Avenue Bridge Improvements	\$ 15,217
Brewer Creek Park/Trail Improvements	100,566
Airport 2003 Runway Lights	6,135
Annual Street Maintenance	286,240
Capital Improvement Reserve	<u>7,788</u>

Total Capital Projects Funds	<u>\$ 415,946</u>
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##### **Unreserved (Deficit)**

###### Non-Major Funds

###### Special Revenue Funds

Unemployment Compensation	\$ (2,912)
K9 Trust	(74)
Urban Renewal Tax Increment-Brewer Creek	(301,082)
Urban Renewal Tax Increment-Southeast	(599,500)
Urban Renewal Tax Increment-Southwest	<u>(422,192)</u>

Total Special Revenue Funds	<u>\$ (1,325,760)</u>
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###### Capital Projects Funds

1999 Sidewalk Improvements	<u>\$ (4,269)</u>
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Total Capital Projects Funds	<u>\$ (4,269)</u>
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# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

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#### ***I. NET ASSETS/FUND BALANCES (cont.)***

##### ***Governmental Activities (cont.)***

##### ***Business-type Activities***

Invested in capital assets, net of related debt	
Land	\$ 985,145
Construction in progress	17,509
Other capital assets, net of accumulated depreciation	21,867,001
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(5,414,598)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>17,455,057</u>
Restricted	
Debt service	160,130
Depreciation	<u>150,000</u>
Total Restricted	<u>310,130</u>
Unrestricted	<u>9,313,963</u>
Total Business-type Activities Net Assets	<u>\$ 27,079,150</u>

#### ***J. RESTATEMENT OF NET ASSETS***

Net assets has been restated due to the omission of certain capital assets and related depreciation expense from prior years.

Water Utility Net Assets – June 30, 2004 (as reported)	\$ 6,573,414
Less: Depreciation expense on capital assets constructed in a prior year	<u>(81,670)</u>
Net Assets – July 1, 2004 (as restated)	<u>\$ 6,491,744</u>
Sewer Utility Net Assets – June 30, 2004 (as reported)	\$ 4,574,108
Less: Depreciation expense on capital assets constructed in a prior year	<u>(420,380)</u>
Net Assets – July 1, 2004 (as restated)	<u>\$ 4,153,728</u>
Business-type Activities – June 30, 2004 (as reported)	\$ 27,844,361
Less: Depreciation expense on capital assets constructed in a prior year	(81,670)
Depreciation expense on capital assets constructed in a prior year	<u>(420,380)</u>
Net Assets – July 1, 2004 (as restated)	<u>\$ 27,342,311</u>

# **CITY OF WEBSTER CITY**

## **NOTES TO FINANCIAL STATEMENTS** June 30, 2005

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### **NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)**

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#### ***K. COMPONENT UNITS***

##### ***Webster City Airport Commission***

This report contains the Webster City Airport Commission ("airport commission"), which is included as a component unit. Financial information is presented as a discrete column in the combined statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The airport commission follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Cash and Investments

The cash and investments of the airport commission are commingled with those of the city. As of June 30, 2005, the carrying value of the airport commission's deposits was \$-0-.

c. The airport commission has no employees.

##### ***Fuller Trust***

This report contains the Fuller Trust (trust), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The trust follows the full accrual basis of accounting and the flow of economic resources measurement focus.

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

#### K. COMPONENT UNITS (cont.)

##### Fuller Trust (cont.)

#### b. Investments

The trust's investments are categorized in the following categories based on the descriptions used in Note IV. A.

	Category			Totals	Carrying Amount/ Fair Value
	1	2	3		
Total investments	<u>\$ 2,269,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,269,527</u>	<u>\$ 2,269,527</u>

All investments are held by a legally separate third party.

#### c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the trust considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

#### d. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated				
Buildings	\$ 42,000	\$ -	\$ -	\$ 42,000
Less: Accumulated depreciation	(3,780)	(840)	-	(4,620)
Net Capital Assets	<u>\$ 38,220</u>	<u>\$ (840)</u>	<u>\$ -</u>	<u>\$ 37,380</u>

#### e. Employee Retirement System

The trust has no employees.

#### f. Restricted Net Assets

All net assets are legally restricted for use for the enhancement of the City of Webster City's recreation programs, specifically Fuller Hall.

#### g. Commitments

The Fuller Trust has agreed to reimburse the City of Webster City for principal and interest payments made in relation to revenue bonds issued for the remodeling of Fuller Hall. Payments made to the city for the year ended June 30, 2005 totaled \$115,932.

# **CITY OF WEBSTER CITY**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

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### **NOTE V – OTHER INFORMATION**

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#### ***A. EMPLOYEES' RETIREMENT SYSTEM***

##### ***IPERS***

The city contributes to the Iowa Public Employee Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the city is required to contribute 5.75% of annual covered payroll except for voluntary fire fighters, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The city's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$128,098, \$132,792, and \$134,129, respectively, equal to the required contributions for each year.

##### ***Municipal Fire and Police Retirement System of Iowa (MFPRS)***

The city contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the city's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The city's contribution to the Plan for the years ended June 30, 2005, 2004, and 2003 were \$183,920, \$144,953, and \$118,614, respectively, equal to the required percentage contribution for each year.

#### ***B. RISK MANAGEMENT***

The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks, with the exception of vision and dental care, are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year. (See Note V.C. for vision and dental care.) Unpaid claims at year end were immaterial.

# **CITY OF WEBSTER CITY**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

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### **NOTE V – OTHER INFORMATION (cont.)**

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#### ***C. EMPLOYEE VISION AND DENTAL PLAN***

The City of Webster City Medical/Flex Insurance Fund was established to account for the city's medical and flex benefit plan. Effective September, 1995, the city has entered into an administrative services agreements with Three Rivers Benefit Corporation and Select Benefit Administrators, to administer the employee dental and vision benefit plans. The agreements are subject to automatic renewal provisions.

Monthly payments of service fees and plan contributions to the City of Webster City Medical/Flex Insurance Fund are recorded as disbursements in the operating funds. Under an administrative services agreement, monthly payments of service fees and claims processed were paid to Three Rivers Benefit Corporation and Select Benefit Administrators from the Internal Service Fund, Medical/Flex Insurance Account.

#### ***D. COMMITMENTS AND CONTINGENCIES***

From time to time, the city is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of the management and the city attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the city's financial position or results of operations.

The city has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City of Webster City has entered into several development agreements with developers.

The developers are constructing industrial/commercial facilities on property located in the city. Chapter 403 of the Code of Iowa authorizes cities to establish urban renewal areas and to undertake economic development projects. In recognition of the developers' commitment, the city agreed to make economic tax rebate payments to the developer during the term of the agreements in amounts which represent the property taxes paid with respect to the project by the developers in that fiscal year, minus the amount of debt service taxes levied by taxing jurisdictions, provided, however, that the total rebate payments during the term of the agreement do not exceed the maximum amounts listed.

The agreement assumes that the full taxable value of the project will go on the property tax rolls as of the dates listed below. All tax rebate payments will be made on December 1 and June 1 beginning the year after the initial incremental taxable value is placed on the property tax roll. The tax rebate payments shall not constitute general obligation of the city, but shall be paid solely and only from incremental property taxes received by the city from the Hamilton County Treasurer which are attributable to each individual project.

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

### NOTE V – OTHER INFORMATION (cont.)

#### *D. COMMITMENTS AND CONTINGENCIES (cont.)*

<b>TIF District</b>	<b>Vantec</b>	<b>Peterson</b>
<b>Developer</b>	Vantec, Inc	Gerald J. and Joel E. Peterson
<b>Date of Agreement</b>	September 18, 2000	September 18, 2000
<b>General Purpose</b>	Industrial Facility Construction	Commercial Facility Construction
<b>Area</b>	Southeast Industrial Park	Southeast Industrial Park
<b>Maximum Payments</b>	\$230,315	\$21,170
<b>Rebate Payments</b>	December 1, 2001 – June 1, 2006	Dec 1, 2001 - June 1, 2006
<b>Date on Property Tax Roll</b>	January 1, 2000	January 1, 2000
<b>TIF District</b>	<b>Webster City RV Project</b>	<b>Hy-Vee</b>
<b>Developer</b>	JJ & RO Properties, LLC	Hy-Vee, Inc
<b>Date of Agreement</b>	November 5, 2001	June 2, 1997
<b>General Purpose</b>	Commercial Facility Construction	Commercial Facility Construction
<b>Designated Area</b>	Southeast Industrial Park	Central Business District
<b>Maximum Payments</b>	\$56,765	\$694,130
<b>Rebate Payments</b>	December 1, 2002 – June 1, 2007	December 1, 2001 – June 1, 2015
<b>Date on Property Tax Roll</b>	January 1, 2001	January 1, 2002
<b>TIF District</b>	<b>Struchen</b>	<b>Struchen</b>
<b>Developer</b>	Don Struchen	Don Struchen
<b>Date of Agreement</b>	January 5, 2004	December 1, 2004
<b>General Purpose</b>	Housing Construction	Housing Construction
<b>Designated Area</b>	Residential Urban Renewal Area A	Residential Urban Renewal Area A
<b>Maximum Payments</b>	\$159,036	\$241,249
<b>Rebate Payments</b>	December 1, 2005 – June 1, 2014	December 1, 2005 – June 1, 2014
<b>Date on Property Tax Roll</b>	January 1, 2004	January 1, 2004

The tax rebate payments to the developer are subject to the following conditions:

1. Timely payment of property taxes by the developer when due and submission to the city of a receipt or cancelled check as evidence of each tax payment. Residential developers are not required to submit receipts.
2. Submission of documentation satisfactory to the city, at least one week prior to each December 1 and June 1 payment date, that that project is being used as a commercial facility.

# CITY OF WEBSTER CITY

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

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### NOTE V – OTHER INFORMATION (cont.)

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#### **D. COMMITMENTS AND CONTINGENCIES (cont.)**

##### ***Struchen Tax Increment***

On November 3, 1997, the City of Webster City entered into a development agreement with Don Struchen (the "developer"). The developer owns certain property known as the Home Second addition which is located within the Urban Renewal Area. The developer intends to construct housing units after certain improvements have been constructed. The Iowa Urban Renewal law requires that any project related to housing which receives tax increment financing assistance must also generate funds to be used to provide assistance related to housing for low and moderate income families.

In recognition of the developer's commitment, the city agreed to make economic development tax increment payments to the developer each fiscal year during the term of this agreement in a total principal amount equal to the developer's documented costs of construction for the improvements, not to exceed \$50,830. The payments will be made on December 1 and June 1 of each fiscal year, beginning with the first fiscal year for which property taxes are paid with respect to the incremental taxable value of the project and continuing for nine additional fiscal years thereafter. Each payment shall be in an amount which represents 65.68 percent of the property taxes paid with respect to the incremental value of the property located within the Urban Renewal Area A in the six months preceding such payment date, minus the amount of debt service taxes levied by taxing jurisdictions. The remaining portion of such taxes, equal to 34.32 percent, shall be retained by the city for purposes of providing assistance to low and moderate income families.

The developer will arrange for the installation of certain street improvements, at such specific locations and subject to such specifications as are mutually agreed upon by the parties, subject to inspection of the work by the city, and subject to such covenants as may be requested by the city.

The payments shall not constitute general obligations of the city, but shall be made solely and only from incremental property taxes received by the city from the Hamilton County Treasurer which are attributable to property located within the Urban Renewal Area A.

##### ***Coal Tar Site***

The city owns land that was contaminated by its coal tar utility, which operated from 1907 to 1947. The contaminated soil is monitored on a continuous basis to ensure that the nearby river does not become contaminated. Currently, the city budgets funds every year in the general fund to pay for the soil and water monitoring.

The city is not required to clean up the contaminated soil unless it becomes exposed and endangers the river. In the event that the contaminated soil would be exposed, the city could incur significant costs in order to excavate and clean up the site. The city is currently not setting funds aside to pay for such an event. No estimate is available for the costs required to clean up the entire contaminated site.

#### **E. SPECIAL ITEM**

In prior years, the city purchased the building that is now the day care facility. The improvements to the building were presented in the financials of the city during those years including grants and donations, and the value of the building increased. Once the improvements were made, the city sold the building to a private entity for the amount needed, above the grants and donations, to cover the city's costs of the improvement. Since the sale price did not recover costs funded through grants and donations, a loss on the sale of the facility is shown in the current financial statements.



## REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF WEBSTER CITY

## BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS For the Year Ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Variance with Final Budget
				Original	Final	
<b>RECEIPTS</b>						
Property taxes	\$ 2,595,118	\$ -	\$ 2,595,118	\$ 2,688,551	\$ 2,688,551	\$ (93,433)
Tax increment financing	690,460	-	690,460	639,529	708,751	(18,291)
Other city taxes	691,957	-	691,957	347,750	612,750	79,207
Licenses and permits	148,916	-	148,916	114,725	125,939	22,977
Use of money and property	79,793	107,163	186,956	413,803	548,931	(361,975)
Intergovernmental	1,046,297	-	1,046,297	739,887	847,679	198,618
Charges for fees and service	403,819	12,754,065	13,157,884	12,144,900	12,185,400	972,484
Special assessments	1,512	-	1,512	1,674	1,674	(162)
Miscellaneous	703,128	-	703,128	420,042	698,804	4,324
<b>TOTAL RECEIPTS</b>	<b>6,361,000</b>	<b>12,861,228</b>	<b>19,222,228</b>	<b>17,510,861</b>	<b>18,418,479</b>	<b>803,749</b>
<b>DISBURSEMENTS</b>						
General government	778,927	-	778,927	556,778	841,278	62,351
Public safety	1,712,670	-	1,712,670	1,669,149	1,702,721	(9,949)
Public works	1,424,945	-	1,424,945	1,174,205	1,197,961	(226,984)
Health and social services	28,533	-	28,533	26,763	26,763	(1,770)
Culture and recreation	852,562	-	852,562	898,355	869,541	16,979
Community and economic development	1,282,362	-	1,282,362	93,883	934,383	(347,979)
Debt service	900,402	-	900,402	1,153,402	1,123,267	222,865
Capital projects	618,387	-	618,387	35,000	664,800	46,413
Business type activities	-	13,100,053	13,100,053	11,611,705	12,589,559	(510,494)
<b>TOTAL DISBURSEMENTS</b>	<b>7,598,788</b>	<b>13,100,053</b>	<b>20,698,841</b>	<b>17,219,240</b>	<b>19,950,273</b>	<b>(748,568)</b>
Excess (deficiency) of receipts over disbursements	(1,237,788)	(238,825)	(1,476,613)	291,621	(1,531,794)	55,181
Other financing sources (uses), net	598,149	(439,874)	158,275	-	-	158,275
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(639,639)	(678,699)	(1,318,338)	291,621	(1,531,794)	213,456
<b>BALANCES - Beginning of Year</b>	<b>4,461,195</b>	<b>6,239,185</b>	<b>10,700,380</b>	<b>8,636,885</b>	<b>10,669,182</b>	<b>2,032,297</b>
<b>BALANCES - END OF YEAR</b>	<b>\$ 3,821,556</b>	<b>\$ 5,560,486</b>	<b>\$ 9,382,042</b>	<b>\$ 8,928,506</b>	<b>\$ 9,137,388</b>	<b>\$ 2,245,753</b>

See accompanying notes to required supplementary information.

# CITY OF WEBSTER CITY

## RECONCILIATION OF CASH BASIS BUDGET WITH GAAP FINANCIAL STATEMENTS For the Year Ended June 30, 2005

	Governmental Funds			Proprietary Funds - Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 6,361,000	\$ (340,491)	\$ 6,020,509	\$ 12,861,228	\$ (53,125)	\$ 12,808,103
Expenditures/expenses	<u>7,598,788</u>	<u>(404,388)</u>	<u>7,194,400</u>	<u>13,100,053</u>	<u>(408,129)</u>	<u>12,691,924</u>
Excess (deficiency) of revenues over expenditures/expenses	(1,237,788)	63,897	(1,173,891)	(238,825)	355,004	116,179
Other financing sources, net	598,149	-	598,149	(439,874)	33,470	(406,404)
BALANCES (DEFICIT) - Beginning of Year	<u>4,461,195</u>	<u>(4,213,074)</u>	<u>248,121</u>	<u>6,239,185</u>	<u>20,931,273</u>	<u>27,170,458</u>
BALANCES (DEFICIT) - END OF YEAR	<u>\$ 3,821,556</u>	<u>\$ (4,149,177)</u>	<u>\$ (327,621)</u>	<u>\$ 5,560,486</u>	<u>\$ 21,319,747</u>	<u>\$ 26,880,233</u>

## **CITY OF WEBSTER CITY**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2005**

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#### ***BUDGETARY INFORMATION***

During the year ended June 30, 2005, disbursements in the public safety, public works, health and social services, community and economic development, and business-type activities functions exceeded the amounts budgeted. See Note III.B for amounts.

## **S U P P L E M E N T A R Y   I N F O R M A T I O N**

# CITY OF WEBSTER CITY

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS June 30, 2005

	Special Revenue Funds					
	FICA/ IPERS Fund	Worker's Comp Fund	Medical/Flex Insurance Fund	Unemployment Comp Fund	Road Use Tax Fund	Police/Fire Retirement Trust Fund
<b>ASSETS</b>						
Cash and investments	\$ 116,244	\$ 31,789	\$ 96,566	\$ 2,406	\$ 227,765	\$ 32,606
Receivables						
Taxes	145,292	35,205	59,692	17,735	-	216,782
Accounts	-	-	-	-	1,813	-
Interest	-	-	-	-	-	303
Loans	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 261,536</u>	<u>\$ 66,994</u>	<u>\$ 156,258</u>	<u>\$ 20,141</u>	<u>\$ 229,578</u>	<u>\$ 249,691</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable	\$ -	\$ 1,080	\$ -	\$ 5,318	\$ 8,757	\$ -
Accrued liabilities	-	-	-	-	7,154	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	145,292	35,205	59,692	17,735	-	216,782
Advances from other funds	-	-	-	-	-	-
Total Liabilities	<u>145,292</u>	<u>36,285</u>	<u>59,692</u>	<u>23,053</u>	<u>15,911</u>	<u>216,782</u>
<b>Fund Balances</b>						
Reserved for						
Debt service	-	-	-	-	-	-
Trust activities	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Unreserved and designated	116,244	30,709	96,566	-	213,667	32,909
Unreserved and undesignated (deficit)	-	-	-	(2,912)	-	-
Total Fund Balances (Deficit)	<u>116,244</u>	<u>30,709</u>	<u>96,566</u>	<u>(2,912)</u>	<u>213,667</u>	<u>32,909</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 261,536</u>	<u>\$ 66,994</u>	<u>\$ 156,258</u>	<u>\$ 20,141</u>	<u>\$ 229,578</u>	<u>\$ 249,691</u>

Special Revenue Funds							
DARE/Seized Property Trust Fund	K9 Trust Fund	WC Comm Rehabilitation Revolving Loan Program	Urban Renewal Tax Increment - Brewer Creek	Self-Supported Municipal Improvement District	Urban Renewal Tax Increment - Peterson	Urban Renewal Tax Increment - WC RV Project	Urban Renewal Tax Increment - Beam
\$ 3,376	\$ 330	\$ 57,219	\$ -	\$ 8,368	\$ 13,165	\$ 36,741	\$ 5,604
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	88,258	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,376</u>	<u>\$ 330</u>	<u>\$ 145,477</u>	<u>\$ -</u>	<u>\$ 8,368</u>	<u>\$ 13,165</u>	<u>\$ 36,741</u>	<u>\$ 5,604</u>
\$ -	\$ 404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	88,258	-	-	-	-	-
-	-	-	301,082	-	-	-	-
-	404	88,258	301,082	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,376	-	57,219	-	8,368	13,165	36,741	5,604
-	(74)	-	(301,082)	-	-	-	-
<u>3,376</u>	<u>(74)</u>	<u>57,219</u>	<u>(301,082)</u>	<u>8,368</u>	<u>13,165</u>	<u>36,741</u>	<u>5,604</u>
<u>\$ 3,376</u>	<u>\$ 330</u>	<u>\$ 145,477</u>	<u>\$ -</u>	<u>\$ 8,368</u>	<u>\$ 13,165</u>	<u>\$ 36,741</u>	<u>\$ 5,604</u>

# CITY OF WEBSTER CITY

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS June 30, 2005

	Special Revenue Funds					Debt Service
	Urban Renewal Tax Increment - Vantec	Urban Renewal Tax Increment - Southeast	Urban Renewal Tax Increment - Southwest	Urban Renewal Tax Increment - New Castle	Edward Prince Trust	General Debt Service
<b>ASSETS</b>						
Cash and investments	\$ 144,313	\$ -	\$ -	\$ 9,552	\$ 77,574	\$ 124,324
Receivables						
Taxes	-	-	-	-	-	742,007
Accounts	-	-	-	-	-	-
Interest	-	-	-	-	1,130	313
Loans	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 144,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,552</u>	<u>\$ 78,704</u>	<u>\$ 866,644</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	1,130	742,007
Advances from other funds	-	599,500	422,192	-	-	-
Total Liabilities	<u>-</u>	<u>599,500</u>	<u>422,192</u>	<u>-</u>	<u>1,130</u>	<u>742,007</u>
<b>Fund Balances</b>						
Reserved for						
Debt service	-	-	-	-	-	124,637
Trust activities	-	-	-	-	77,574	-
Advances	-	-	-	-	-	-
Unreserved and designated	144,313	-	-	9,552	-	-
Unreserved and undesignated (deficit)	-	(599,500)	(422,192)	-	-	-
Total Fund Balances (Deficit)	<u>144,313</u>	<u>(599,500)</u>	<u>(422,192)</u>	<u>9,552</u>	<u>77,574</u>	<u>124,637</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 144,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,552</u>	<u>\$ 78,704</u>	<u>\$ 866,644</u>



Continued From  
Previous Page

Capital Projects Funds						Permanent Fund	Total Nonmajor Governmental Funds
Wilson Avenue Bridge Improvements	1999 Sidewalk Improvements	Brewer Creek Park/Trail Improvements	Airport 2003 Runway Lights	Annual Street Maintenance	Capital Improvement Reserve	Perpetual Care Trust	
\$ 15,217	\$ -	\$ 100,566	\$ -	\$ 291,252	\$ 6,548	\$ 378,687	\$ 1,780,212
-	-	-	-	-	-	-	1,216,713
-	-	-	-	-	-	-	1,813
-	-	-	-	-	1,240	-	2,986
-	-	-	-	-	-	-	88,258
-	-	-	18,588	-	-	-	18,588
-	-	-	-	-	350,000	-	350,000
<u>\$ 15,217</u>	<u>\$ -</u>	<u>\$ 100,566</u>	<u>\$ 18,588</u>	<u>\$ 291,252</u>	<u>\$ 357,788</u>	<u>\$ 378,687</u>	<u>\$ 3,458,570</u>
\$ -	\$ 1,694	\$ -	\$ -	\$ 5,012	\$ -	\$ -	\$ 22,265
-	-	-	-	-	-	-	7,154
-	2,575	-	12,453	-	-	-	15,028
-	-	-	-	-	-	-	1,306,101
-	-	-	-	-	-	-	1,322,774
-	4,269	-	12,453	5,012	-	-	2,673,322
-	-	-	-	-	-	-	124,637
-	-	-	-	-	-	378,687	456,261
-	-	-	-	-	350,000	-	350,000
15,217	-	100,566	6,135	286,240	7,788	-	1,184,379
-	(4,269)	-	-	-	-	-	(1,330,029)
<u>15,217</u>	<u>(4,269)</u>	<u>100,566</u>	<u>6,135</u>	<u>286,240</u>	<u>357,788</u>	<u>378,687</u>	<u>785,248</u>
<u>\$ 15,217</u>	<u>\$ -</u>	<u>\$ 100,566</u>	<u>\$ 18,588</u>	<u>\$ 291,252</u>	<u>\$ 357,788</u>	<u>\$ 378,687</u>	<u>\$ 3,458,570</u>

# CITY OF WEBSTER CITY

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2005

	Special Revenue Funds			
	FICA/ IPERS Fund	Worker's Comp Fund	Medical/Flex Insurance Fund	Unemployment Comp Fund
<b>REVENUES</b>				
Taxes	\$ 150,933	\$ 72,180	\$ 38,980	\$ 10,032
Intergovernmental	-	-	-	-
Public charges for services	-	-	-	-
Special assessments	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>150,933</u>	<u>72,180</u>	<u>38,980</u>	<u>10,032</u>
<b>EXPENDITURES</b>				
Current				
General government	9,104	546	18,923	474
Public safety	40,420	30,021	133,524	6,737
Public works	38,480	9,024	39,255	2,039
Health and social services	275	116	221	11
Culture and recreation	45,391	8,799	42,189	3,954
Community and economic development	5,342	444	3,594	250
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>139,012</u>	<u>48,950</u>	<u>237,706</u>	<u>13,465</u>
Excess (deficiency) of revenues over expenditures	11,921	23,230	(198,726)	(3,433)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	-	-
Transfers in	-	-	200,000	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Net Change in Fund Balances	11,921	23,230	1,274	(3,433)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>104,323</u>	<u>7,479</u>	<u>95,292</u>	<u>521</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 116,244</u>	<u>\$ 30,709</u>	<u>\$ 96,566</u>	<u>\$ (2,912)</u>

Special Revenue Funds							
Road Use Tax Fund	Police/Fire Retirement Trust Fund	Dare/Seized Prop Trust Fund	K9 Trust Fund	WC Comm Rehabilitation Revolving Loan Program	Urban Renewal Tax Increment - Riverview	Urban Renewal Tax Increment - Hy-Vee	Urban Renewal Tax Increment - IC Enterprises
\$ -	\$ 141,759	\$ -	\$ -	\$ -	\$ 154,233	\$ 49,482	\$ 6,025
680,498	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	647	-	-	1,756	-	-	-
-	-	286	330	8,741	-	-	-
680,498	142,406	286	330	10,497	154,233	49,482	6,025
-	-	-	-	-	-	-	-
-	183,920	2,675	404	-	-	-	-
608,452	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	750	49,581	6,025
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
608,452	183,920	2,675	404	-	750	49,581	6,025
72,046	(41,514)	(2,389)	(74)	10,497	153,483	(99)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(140,000)	-	-	-	-	(153,655)	-	-
(140,000)	-	-	-	-	(153,655)	-	-
(67,954)	(41,514)	(2,389)	(74)	10,497	(172)	(99)	-
281,621	74,423	5,765	-	46,722	172	99	-
\$ 213,667	\$ 32,909	\$ 3,376	\$ (74)	\$ 57,219	\$ -	\$ -	\$ -

# CITY OF WEBSTER CITY

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2005

	Special Revenue Funds				
	Urban Renewal Tax Increment - Brewer Creek	Self-Supported Municipal Improvement District	Urban Renewal Tax Increment - Struchen	Urban Renewal Tax Increment - Peterson	Urban Renewal Tax Increment - WC RV Project
<b>REVENUES</b>					
Taxes	\$ 153,422	\$ 29,473	\$ 24,203	\$ 9,313	\$ 24,971
Intergovernmental	-	-	-	-	-
Public charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	<u>153,422</u>	<u>29,473</u>	<u>24,203</u>	<u>9,313</u>	<u>24,971</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	4,752	16,495	4,234	11,353
Debt Service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>4,752</u>	<u>16,495</u>	<u>4,234</u>	<u>11,353</u>
Excess (deficiency) of revenues over expenditures	153,422	24,721	7,708	5,079	13,618
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	-	-	-	-	-
Transfers in	78,304	9,250	-	-	-
Transfers out	-	(35,000)	(8,620)	-	-
Total Other Financing Sources (Uses)	<u>78,304</u>	<u>(25,750)</u>	<u>(8,620)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	231,726	(1,029)	(912)	5,079	13,618
FUND BALANCES (DEFICIT) - Beginning of Year	<u>(532,808)</u>	<u>9,397</u>	<u>912</u>	<u>8,086</u>	<u>23,123</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (301,082)</u>	<u>\$ 8,368</u>	<u>\$ -</u>	<u>\$ 13,165</u>	<u>\$ 36,741</u>

Special Revenue Funds							Debt Service	Capital Projects Funds	
Urban Renewal Tax Increment - Beam	Urban Renewal Tax Increment - Vantec	Urban Renewal Tax Increment - Southeast	Urban Renewal Tax Increment - Southwest	Urban Renewal Tax Increment - New Castle	Urban Renewal Tax Increment - Gourley	Edward Prince Trust	General Debt Service	Brewer Creek Estates	Wilson Ave Bridge Improvements
\$ 57,739	\$ 101,280	\$ -	\$ 4,275	\$ 72,064	\$ 3,978	\$ -	\$ 761,203	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,512	-	-
-	770	-	-	-	-	557	7,620	-	-
-	-	-	-	-	-	-	115,932	-	-
<u>57,739</u>	<u>102,050</u>	<u>-</u>	<u>4,275</u>	<u>72,064</u>	<u>3,978</u>	<u>557</u>	<u>886,267</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1,125	-
-	-	-	-	-	-	-	-	-	-
52,135	46,063	-	-	62,512	2,613	-	-	-	-
-	-	-	-	-	-	-	600,743	-	-
-	-	-	-	-	-	-	285,186	-	-
<u>52,135</u>	<u>46,063</u>	<u>-</u>	<u>-</u>	<u>62,512</u>	<u>2,613</u>	<u>-</u>	<u>885,929</u>	<u>1,125</u>	<u>-</u>
5,604	55,987	-	4,275	9,552	1,365	557	338	(1,125)	-
-	-	11,500	-	-	-	-	-	79,330	-
-	-	79,710	-	-	-	-	-	-	-
-	-	-	-	-	(1,365)	-	(350,000)	(78,205)	-
-	-	91,210	-	-	(1,365)	-	(350,000)	1,125	-
5,604	55,987	91,210	4,275	9,552	-	557	(349,662)	-	-
-	88,326	(690,710)	(426,467)	-	-	77,017	474,299	-	15,217
<u>\$ 5,604</u>	<u>\$ 144,313</u>	<u>\$ (599,500)</u>	<u>\$ (422,192)</u>	<u>\$ 9,552</u>	<u>\$ -</u>	<u>\$ 77,574</u>	<u>\$ 124,637</u>	<u>\$ -</u>	<u>\$ 15,217</u>

# CITY OF WEBSTER CITY

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2005

	Capital Projects Funds				
	1999 Sidewalk Improvements	Brewer Creek Park/Trail Improvements	Airport 2003 Runway Lights	Annual Street Maintenance	College Street Reconstruction
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	162,339	-	-
Public charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	1,735
Total Revenues	-	-	162,339	-	1,735
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	45,853	-	162,987	15,511	8,275
Health and social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	45,853	-	162,987	15,511	8,275
Excess (deficiency) of revenues over expenditures	(45,853)	-	(648)	(15,511)	(6,540)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	-	-	-	-	-
Transfers in	35,000	-	-	181,297	-
Transfers out	-	-	-	(62,389)	(51,297)
Total Other Financing Sources (Uses)	35,000	-	-	118,908	(51,297)
Net Change in Fund Balances	(10,853)	-	(648)	103,397	(57,837)
FUND BALANCES (DEFICIT) - Beginning of Year	6,584	100,566	6,783	182,843	57,837
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (4,269)	\$ 100,566	\$ 6,135	\$ 286,240	\$ -

Capital Projects Funds				Permanent Fund	Total Nonmajor Governmental Funds
Bridge Improvements	Capital Improvement Reserve	Day Care Facility	SE Development Park	Perpetual Care Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,865,545
-	20	-	9,877	-	852,734
-	-	-	-	6,064	6,064
-	-	-	-	-	1,512
-	1,241	-	-	-	12,591
-	-	-	19,089	-	146,113
-	1,261	-	28,966	6,064	2,884,559
-	-	-	-	-	29,047
-	-	-	-	-	397,701
334,897	-	-	5,497	-	1,271,395
-	-	-	-	-	623
-	20,000	-	-	-	120,333
-	-	24,242	-	-	290,385
-	-	-	-	-	600,743
-	-	14,451	-	-	299,637
334,897	20,000	38,693	5,497	-	3,009,864
(334,897)	(18,739)	(38,693)	23,469	6,064	(125,305)
-	-	-	-	-	90,830
62,389	350,000	746,500	-	-	1,742,450
-	-	-	(79,710)	-	(960,241)
62,389	350,000	746,500	(79,710)	-	873,039
(272,508)	331,261	707,807	(56,241)	6,064	747,734
272,508	26,527	(707,807)	56,241	372,623	37,514
\$ -	\$ 357,788	\$ -	\$ -	\$ 378,687	\$ 785,248

## CITY OF WEBSTER CITY

### COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2005

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	Capital Equipment Fund	Medical/Flex Fund	Totals
<b>ASSETS</b>			
Cash and investments	\$ 374,796	\$ 53,597	\$ 428,393
Prepaid items	-	7,906	7,906
Total Assets	<u>374,796</u>	<u>61,503</u>	<u>436,299</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	-
<b>NET ASSETS</b>			
Unrestricted	<u>\$ 374,796</u>	<u>\$ 61,503</u>	<u>\$ 436,299</u>



# CITY OF WEBSTER CITY

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS For the Year Ended June 30, 2005

---

	Capital Equipment Fund	Medical/Flex Fund	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
<b>OPERATING REVENUES</b>	\$ 279,238	\$ 47,510	\$ 326,748
<b>OPERATING EXPENSES</b>			
General government	-	35,571	35,571
Public safety	79,436	-	79,436
Public works	84,830	-	84,830
Culture and recreation	6,300	-	6,300
Total Operating Expenses	<u>170,566</u>	<u>35,571</u>	<u>206,137</u>
Operating income	108,672	11,939	120,611
<b>NONOPERATING REVENUES</b>			
Investment income	<u>-</u>	<u>167</u>	<u>167</u>
Income before transfers	108,672	12,106	120,778
<b>TRANSFERS OUT</b>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
Change in net assets	108,672	(7,894)	100,778
NET ASSETS - Beginning of Year	<u>266,124</u>	<u>69,397</u>	<u>335,521</u>
NET ASSETS - END OF YEAR	<u>\$ 374,796</u>	<u>\$ 61,503</u>	<u>\$ 436,299</u>

# CITY OF WEBSTER CITY

## COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS For the Year Ended June 30, 2005

	Capital Equipment Fund	Medical/Flex Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from other funds	\$ 279,238	\$ 47,510	\$ 326,748
Paid to suppliers for goods and services	(170,566)	(38,737)	(209,303)
Net Cash Flows From Operating Activities	<u>108,672</u>	<u>8,773</u>	<u>117,445</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	-	(20,000)	(20,000)
Net Cash Flows From Noncapital Financing Activities	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income	-	190	190
Net Increase (Decrease) in Cash and Cash Equivalents	108,672	(11,037)	97,635
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>266,124</u>	<u>64,634</u>	<u>330,758</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 374,796</u>	<u>\$ 53,597</u>	<u>\$ 428,393</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 108,672	\$ 11,939	\$ 120,611
Adjustments to reconcile operating income to net cash flows from operating activities:			
Change in assets and liabilities:			
Prepaid items	-	5,251	5,251
Accounts payable	-	(8,417)	(8,417)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 108,672</u>	<u>\$ 8,773</u>	<u>\$ 117,445</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
None.			

# CITY OF WEBSTER CITY

## COMBINING STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS June 30, 2005

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	Private Purpose Trusts					
	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Silvers Trust	Mulberry Church Trust	Totals
<b>ASSETS</b>						
Cash and investments	\$ 1,781	\$ 2,036	\$ 5,038	\$ 2,883	\$ 9,816	\$ 21,554
Interest receivable	22	22	73	37	-	154
Total Assets	<u>1,803</u>	<u>2,058</u>	<u>5,111</u>	<u>2,920</u>	<u>9,816</u>	<u>21,708</u>
<b>LIABILITIES</b>						
Deferred revenue	<u>22</u>	<u>22</u>	<u>73</u>	<u>37</u>	<u>-</u>	<u>154</u>
<b>NET ASSETS</b>						
Reserved for private purpose trust activities	<u>1,781</u>	<u>2,036</u>	<u>5,038</u>	<u>2,883</u>	<u>9,816</u>	<u>21,554</u>
TOTAL NET ASSETS	<u>\$ 1,781</u>	<u>\$ 2,036</u>	<u>\$ 5,038</u>	<u>\$ 2,883</u>	<u>\$ 9,816</u>	<u>\$ 21,554</u>

# CITY OF WEBSTER CITY

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

For the Year Ended June 30, 2005

	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Sillers Trust	Mulberry Church Trust	Totals
<b>ADDITIONS</b>						
Investment income	\$ -	\$ -	\$ -	\$ -	\$ 68	\$ 68
<b>DEDUCTIONS</b>						
Health and social services	23	23	2	23	-	71
Changes in net assets	(23)	(23)	(2)	(23)	68	(3)
NET ASSETS - Beginning of Year	1,804	2,059	5,040	2,906	9,748	21,557
NET ASSETS - END OF YEAR	<u>\$ 1,781</u>	<u>\$ 2,036</u>	<u>\$ 5,038</u>	<u>\$ 2,883</u>	<u>\$ 9,816</u>	<u>\$ 21,554</u>

# CITY OF WEBSTER CITY

## COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS For the Year Ended June 30, 2005

	Airport Commission	Fuller Trust	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from customers or donors	\$ 19,294	\$ 14,100	\$ 33,394
Paid to suppliers for goods and services	<u>(71,327)</u>	<u>(156,438)</u>	<u>(227,765)</u>
Net Cash Flows From Operating Activities	<u>(52,033)</u>	<u>(142,338)</u>	<u>(194,371)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Contributions from the primary government	<u>48,000</u>	<u>-</u>	<u>48,000</u>
Net Cash Flows From Noncapital Financing Activities	<u>48,000</u>	<u>-</u>	<u>48,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investments sold and matured	-	2,536,111	2,536,111
Investments purchased	-	(2,563,968)	(2,563,968)
Investment income	<u>-</u>	<u>170,195</u>	<u>170,195</u>
Net Cash Flows From Investing Activities	<u>-</u>	<u>142,338</u>	<u>142,338</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(4,033)	-	(4,033)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>4,033</u>	<u>112,252</u>	<u>116,285</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ 112,252</u>	<u>\$ 112,252</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (54,460)	\$ (142,478)	\$ (196,938)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Depreciation	-	840	840
Change in assets and liabilities			
Accounts receivable	(220)	(700)	(920)
Accounts payable	(4,006)	-	(4,006)
Due to primary government	<u>6,653</u>	<u>-</u>	<u>6,653</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (52,033)</u>	<u>\$ (142,338)</u>	<u>\$ (194,371)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - COMPONENT UNITS</b>			
Cash and investments - statement of net assets	\$ -	\$ 2,269,527	\$ 2,269,527
Less: Non-cash equivalents	<u>-</u>	<u>(2,157,275)</u>	<u>(2,157,275)</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ 112,252</u>	<u>\$ 112,252</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Unrealized gain/(loss) on investments	<u>\$ -</u>	<u>\$ (25,621)</u>	<u>\$ (25,621)</u>

# CITY OF WEBSTER CITY

## BOND AND NOTE MATURITIES

June 30, 2005

Year Ending June 30,	General Obligation Debt								
	Streets, Alleys and Sewer		Streets, Alleys and Sewer		General Corporate Purpose			General Corporate Purpose	
	Issued Sept. 1, 1997		Issued Nov 1, 1998		Issued Oct 1, 1999			Issued Jan 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	City	Water	Interest Rates	Amount
2006	4.550	\$ 170,000	3.750	\$ 75,000	4.800	\$ 40,000	\$ 45,000	3.400	\$ 60,000
2007	4.650	180,000	3.850	80,000	4.900	45,000	45,000	3.550	60,000
2008	-	-	3.900	85,000	5.000	45,000	50,000	3.800	60,000
2009	-	-	3.950	90,000	5.100	45,000	50,000	4.050	65,000
2010	-	-	4.000	90,000	5.150	50,000	55,000	4.200	65,000
2011	-	-	4.050	95,000	5.200	50,000	55,000	4.350	70,000
2012	-	-	4.100	100,000	5.300	55,000	60,000	4.450	70,000
2013	-	-	4.150	105,000	5.350	55,000	60,000	4.600	75,000
2014	-	-	-	-	5.400	60,000	65,000	4.700	80,000
2015	-	-	-	-	5.500	65,000	70,000	4.800	85,000
2016	-	-	-	-	-	-	-	4.900	85,000
2017	-	-	-	-	-	-	-	5.000	90,000
2018	-	-	-	-	-	-	-	-	-
Total		<u>\$ 350,000</u>		<u>\$ 720,000</u>		<u>\$ 510,000</u>	<u>\$ 555,000</u>		<u>\$ 865,000</u>

# CITY OF WEBSTER CITY

## BOND AND NOTE MATURITIES

June 30, 2005

General Obligation Debt					Revenue Bonds							
General Corporate Purpose Issued Jul 1, 2003		General Corporate Purpose Issued Nov 1, 2003		Total	Year Ending June 30,	1996 Sewer Issued Jul 1, 1996		1997 Water Issued Dec 1, 1997		2000 Sewer Issued Feb. 7, 2000		Total
Interest Rates	Amount	Interest Rates	Amount			Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
1.750	\$ 60,000	1.800	\$ 180,000	\$ 630,000	2006	5.500	\$ 120,000	4.700	\$ 75,000	3.92	\$ 160,000	\$ 355,000
2.000	60,000	2.150	180,000	650,000	2007	5.500	130,000	4.750	80,000	3.92	166,000	376,000
2.250	65,000	2.500	185,000	490,000	2008	5.500	135,000	4.800	85,000	3.92	173,000	393,000
2.500	65,000	2.750	190,000	505,000	2009	5.600	140,000	4.800	90,000	3.92	180,000	410,000
2.750	70,000	3.000	195,000	525,000	2010	5.700	150,000	-	-	3.92	187,000	337,000
3.000	70,000	-	-	340,000	2011	5.750	160,000	-	-	3.92	194,000	354,000
3.100	75,000	-	-	360,000	2012	5.800	170,000	-	-	3.92	202,000	372,000
3.250	80,000	-	-	375,000	2013	5.800	180,000	-	-	3.92	209,000	389,000
3.400	85,000	-	-	290,000	2014	5.875	190,000	-	-	3.92	218,000	408,000
3.500	90,000	-	-	310,000	2015	5.875	200,000	-	-	3.92	226,000	426,000
3.600	90,000	-	-	175,000	2016	5.875	215,000	-	-	3.92	235,000	450,000
3.700	100,000	-	-	190,000	2017	-	-	-	-	3.92	244,000	244,000
3.800	105,000	-	-	105,000	2018	-	-	-	-	3.92	254,000	254,000
					2019	-	-	-	-	3.92	264,000	264,000
					2020	-	-	-	-	3.92	274,000	274,000
					Total		\$ 1,790,000		\$ 330,000		\$ 3,186,000	\$ 5,306,000
	\$ 1,015,000		\$ 930,000	\$ 4,945,000								

The community center revenue debt has not been included in the above schedule since a repayment schedule has not been established.

# CITY OF WEBSTER CITY

## PRIMARY GOVERNMENT COMPARISON OF TAX AND INTERGOVERNMENTAL RECEIPTS

	Years Ended June 30,				
	2005	2004	2003	2002	2001
<b>PROPERTY TAX</b>	<u>\$ 2,672,274</u>	<u>\$ 2,830,456</u>	<u>\$ 2,667,661</u>	<u>\$ 2,422,506</u>	<u>\$ 2,359,800</u>
Tax Increment Financing Collection	<u>690,460</u>	<u>569,595</u>	<u>653,701</u>	<u>660,483</u>	<u>696,644</u>
<b>OTHER CITY TAX</b>					
Mobile Home Tax	4,416	4,819	4,381	4,622	4,613
Cable Franchise Tax	<u>67,214</u>	<u>67,107</u>	<u>65,942</u>	<u>56,738</u>	<u>54,453</u>
Total Other City Tax	<u>71,630</u>	<u>71,926</u>	<u>70,323</u>	<u>61,360</u>	<u>59,066</u>
<b>INTERGOVERNMENTAL</b>					
Bank Franchise Tax	5,321	28,495	43,895	43,141	32,667
State Allocation	893	888	146,759	154,622	162,081
Grants	211,890	889,966	1,581,137	283,605	1,378,337
Road Use Tax	680,498	680,959	665,634	654,879	638,811
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,797</u>	<u>(1,000,201)</u>
Total Intergovernmental	<u>898,602</u>	<u>1,600,308</u>	<u>2,437,425</u>	<u>1,299,044</u>	<u>1,211,695</u>
<b>TOTAL</b>	<u>\$ 4,332,966</u>	<u>\$ 5,072,285</u>	<u>\$ 5,829,110</u>	<u>\$ 4,443,393</u>	<u>\$ 4,327,205</u>



## CITY OF WEBSTER CITY

### LIST OF CITY OFFICIALS

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eugene C. Gray	Mayor	January 2006
James A. Bergeson	Mayor Pro tem	January 2006
James A. Bergeson	Council Member	January 2006
Jack Foster	Council Member	January 2008
Mark Gillette	Council Member	January 2008
Eugene C. Gray	Council Member	January 2006
Wayne Jackson	Council Member	January 2006
Teresa Rotschafer	City Manager	January 2006
Kasie Doering	Finance Officer	Not applicable
Patricia Nokes	City Clerk	January 2007
Elizabeth Ann Smith	Deputy City Clerk	January 2007
Stephen Mourlam	Treasurer	January 2006
Gary J. Groves	Attorney	January 2006
Mark Hemmingson	Assistant City Attorney	January 2006



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Webster City, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City of Webster City's basic financial statements, and have issued our report thereon dated September 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Webster City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Webster City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

To the Honorable Mayor and  
Members of the City Council

Comments involving statutory and other legal matters about the city's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the city. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

We noted certain matters that we reported to management of the City of Webster City in a separate letter dated September 15, 2005.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Webster City and other parties to whom the City of Webster City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Webster City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Virchow, Krause & Company, LLP*

Madison, Wisconsin  
September 15, 2005

## CITY OF WEBSTER CITY

### SCHEDULE OF FINDINGS RELATED TO GOVERNMENT AUDITING STANDARDS AND REQUIRED STATUTORY REPORTING Year Ended June 30, 2005

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#### ***FINDINGS RELATED TO REQUIRED STATUTORY REPORTING***

A-02      Official Depositories – A resolution naming official depositories has been approved by the city. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

B-02      Certified Budget – Certain functions experienced disbursements in excess of the amounts budgeted. See Note III.B. for details.

Recommendation – The city should continue analyzing its disbursements throughout the year and amend the budget as needed to help avoid exceeding budgeted amounts.

Response – The city will do as recommended.

Conclusion – Response accepted.

C-02      Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

D-02      Travel Expense – No disbursements of city money for travel expenses of spouses of city officials or employees were noted.

E-02      Business Transactions – No business transactions between the city and city officials or employees were noted.

F-02      Bond Coverage – Surety bond coverage of city officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

G-02      Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

H-02      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the city's investment policy were noted.

I-02      Revenue Bonds and Notes – The sewer utility did not meet the debt coverage ratio required by the 2000 Revenue Bonds.

Recommendation – The city should investigate adjusting their sewer rates to eliminate this deficiency.

Response – The city has revised its sewer rates to eliminate this deficiency.

Conclusion – Response accepted.

## CITY OF WEBSTER CITY

### SCHEDULE OF FINDINGS RELATED TO GOVERNMENT AUDITING STANDARDS AND REQUIRED STATUTORY REPORTING (cont.)

Year Ended June 30, 2005

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#### ***FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (cont.)***

J-02      Financial Condition – The following individual funds held a deficit balance as of June 30, 2005:

Child Care Center	\$ 699,629
Second Street Reconstruction	1,886,849
Unemployment Compensation	2,912
K9 Trust	74
Urban Renewal Tax Increment – Brewer Creek	301,082
Urban Renewal Tax Increment – Southeast	599,500
Urban Renewal Tax Increment – Southwest	422,192
1999 Sidewalk Improvement	4,269

Recommendation – The city should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response – The city has been and will continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Conclusion – Response accepted.